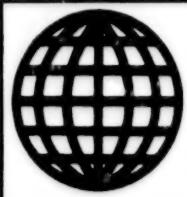


JPRS-CAR-88-026

31 MAY 1988



FOREIGN  
BROADCAST  
INFORMATION  
SERVICE

# ***JPRS Report—***

# **China**

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# China

JPRS-CAR-88-026

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31 MAY 1988

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## SOVIET UNION

### ZHONGGUO QINGNIAN BAO Portrays Friendly Relations With Soviets at Xinjiang Border

HK0605135988 Beijing ZHONGGUO QINGNIAN BAO  
in Chinese 14 Apr 88 p 3

[Article by Yuan Yaping [5913 0068 1627]: "Wild Doves Fly Across the Boundary River—Random Notes on Sino-Soviet Border Area"]

[Text] Against the far snow-capped mountain crests, they flew across the pale sky, flapping their greyish-blue wings, over the Huoerguosi—the Sino-Soviet boundary river.

They made several beautiful loops in the sky, dived, pulled in their wings, and perched on the tree tops of the Chinese territory. Happily they smoothed their feathers with their beaks, chattering about what they had seen while flying in and out of the border. That was a group of wild doves of nationality unknown.

There I stood by the bank of the Huoerguosi, the Sino-Soviet boundary river, the westernmost part of the Sino-Soviet border. East of the boundary river stood a two-story square building. I climbed an iron ladder that led into this building, the site of China's frontier inspection station.

Quiet was the frozen Huoerguosi. This Sino-Soviet boundary river has its source at the top of the Tianshan to the west, winding all the way down from the mountain crest, which is snow-capped year-round, with the river course stretching and seemingly fading into the endless sky.

The Sino-Soviet boundary bridge stands in all its serenity. It is 20 meters in length, 6 meters in breadth, built with white railings and cement surface. The project was completed in 1980 through Sino-Soviet joint efforts, with each side building half its span. A crevice was left right in the middle of the bridge, a straight line, which serves to divide two nations, each having a vast territory.

To the west of the boundary bridge is a two-story red building, the site of the Soviet frontier inspection station.

A row of regular wire posts stand like a row of soldiers at attention. They stretch from Chinese territory to the Soviet side. It is the Beijing-Moscow international telephone cable. Understandably, the line was disconnected in 1962. It remains broken at the two terminals of the Sino-Soviet boundary river, evidence of an interrupted history.

I wanted to take a close look at the Soviet territory. That could be done only at the Hongkazi outpost, inaccessible to ordinary people, the Huoerguosi frontier inspection station chief Xie told me.

At its lowest in winter, the temperature of Hongkazi is -28 degrees centigrade. Our defense guards are keeping watch all the year round at this outpost.

At the crest of the mountain was a bucket-shaped two-story observatory tower built of reinforced cement, with surrounding windows of a special type of glass. Inside, posted on the wall were "Observers' Duties," "Essential Map for Observation," and "Essential Map of Positions." A young soldier still in his teens was making observation notes.

On the top of a seven-story tall white A-shape steel construction was built an observatory tower. A Soviet soldier was climbing up the tower on a steel ladder. Then coming into view was a tracking line. An alarm. Barbed wires. A patrol highway. And some pillboxes...

An observatory stands every 5 miles along the border on the Soviet side. Every two weeks or so, they will smooth the surface of the tracking line with tractors (the surface of the earth is so loose that even when a rabbit runs over the tracking line, its footprints can be tracked.) Between April and September last year, the Soviet Union sent a large number of men to repair and consolidate the barbed wire running several hundred kilometers, Company Commander Li told me.

Then I looked at the other side: the Chinese territory along the west bank of the Huoerguosi.

There was no terrifying tracking line, no shocking alarm, no horrifying barbed wires. There was only a patrol highway with footprints of loyal soldiers. The endless land was still enjoying its hibernation under the warm sun. Oh, China, my beloved motherland, you are laying bare your breasts, filled with peace marked with self-confidence...

Lying quietly under the winter sun, the banks of the Huoerguosi rose and fell irregularly, like full but soft shadows of loaves of bread hot from the oven. The atmosphere was peaceful and tranquil. If not informed, who would know that this should be the boundary line not to be crossed over!

Some did, however—senseless cattle of Chinese peasants would cross the Huoerguosi, swinging their tails in a leisurely way.

"Hey, Hey!" Soviet soldiers would spread their arms and shoo the "unexpected guests" back to the Chinese side. Or our Chinese soldiers would go forward to meet them, and shoo the stray cattle home.

Barbed wires could not hold back the goddess of peace.

The goddess of peace has walked closer and closer up along the Sino-Soviet boundary bridge.

On the square outside the Huoerguosi inspection hall stood thick crowds of people. Among them were old people in fur hats wearing long beards, and women well wrapped with scarlet or green scarves and woolen over-coats, smiling at me in friendliness.

A minibus painted white with red stripes carrying Chinese to visit relatives and Soviet people going back to the Soviet side when their visiting period was over drove across the Sino-Soviet boundary bridge. They got off the bus in front of the Soviet frontier inspection hall. Again, the bus took a full load of passengers, Chinese returning home after visiting relatives on the other side, and Soviet people coming to visit relatives, crossing the bridge, then got off the bus in front of the Chinese frontier inspection hall.

Huoerguosi is located in Ili Prefecture. It is the site for returned overseas Chinese, dependents of overseas Chinese, and dependents of foreign nationals. When citizens of the two nations visited relatives on the other side a few years back, they had to travel a long way to Manchuria in China's northeast for entrance in or departure from the other side. Huoerguosi port was re-opened in November 1983. It has greatly shortened the geographical and psychological distance between visitors from both sides. The thick crowds, either welcoming or seeing people off, the common human feelings melted with tears and embraces...

From the Soviet Union, a Soviet super-truck 25 meters in length with a 30-ton loading capacity carried steel products, cement, chemical fertilizers, sickles, plate glass, pianos, and refrigerators. Upon its return trip, it would carry long-fiber cotton, which is Xinjiang's special produce, hops, wool, leather jackets, woolen sweaters, camel wool, parkas, high-quality leather caps, insulated bottles...

Except for holidays, Soviet trucks conveying goods number between 70 and 80 on an average day; a top record could be 90. The frontier inspection, sanitation and antiepidemic examination, animal and plant quarantine, the customs, and the visa routine of public security have worked in close coordination. Usually, it takes 15 minutes to complete all procedures for Soviet trucks entering or leaving the Chinese border. This is the high efficiency characterized by the times, leaving our Soviet counterparts with a very deep impression.

Coming and going, these trucks convey the wisdom and intelligence of the Sino-Soviet people in their labor and continue to decorate the planet on which mankind lives...

If a red flag should appear on top of the Chinese frontier inspection building, another red flag would appear on top of the Soviet frontier inspection building. The

appearance of the red flags are signs for need to communicate. Then the officers of the two sides would come to meet each other on the boundary bridge. They would cordially greet each other "Tovarishch!" (Comrade!)

That was the reunion of the hearts after a separation of 20 years or so. "When we first met, the Soviet side addressed me only by name and title, and never said comrade. One day toward the end of 1984, the Soviet officer shook hands with me, and called me 'Tovarishch' for the first time. Now we have got quite familiar with each other. I can't remember how many times he has called me 'Tovarishch,'" Station Chief Xie laughed.

I went into the solemn meeting room of the frontier inspection station. Then I looked into the informal and cordial setting of the guest reception room. I did not know which of the two rooms portrayed the genuine feeling.

A wall-to-wall Xinjiang carpet of Persian design against a red background covered the floor. There was a long table set with a white tablecloth in the room. On the left side of the table top was a Chinese flag, on its right was a flag of the USSR. Along the table top were placed three vases. On the wall hung four traditional Chinese paintings of scenery, and two graceful pictures with carved shells. Outside were two rest rooms, an amusement room, and a dining-room.

On National Day, the spring festival and other festive occasions, the Chinese side would invite Soviet officers and men as guests here. When we first briefed them on China's reform, they found it beyond their grasp, saying: "That does not conform to the Leninist line!"

Having seen and read the video tape "Changes in Chinese Rural Areas" and the latest issues of pictorial journals and magazines in Russian, the Soviet officers and men began to be convinced: "Reform has really benefited China."

Later, they presented us with a copy of "M. Gorbachev: The CPSU Central Committee Political Report to the 27th Party Congress." Soviet officers told Chinese officers: "Gorbachev resolved our ideological problems at the 27th Party Congress. The Soviet Union founded the first socialist country after the victory of the October Revolution. China has learned from the Soviet Union. Now all socialist countries are conducting reform. The Soviet Union should learn from China. Life in the Soviet Union is inseparable from reform."

When our talks were over, the Soviet officers and men stayed and enjoyed themselves in high spirits, playing pool, table-tennis, badminton, miniature pool, watching movies and videos. Having watched the videos "Beijing" and "Guangzhou," they suggested other choices, saying: "Shanghai is beautiful, when will you show us a video about Shanghai?"

There were three round tables in the dining-room. Soviet officers and men enjoyed Chinese cuisine. When the 10-course dinner with all their variations in flavor and color was set on the table, they were delighted, and shouted: "Hurrah!"

The Soviet Union has had a drinking problem. Soviet officers and men could each easily finish off a whole bottle of liquor. Nowadays, the Soviet Union is waging an anti-drinking campaign throughout the nation, and prices for wine have increased greatly. In the past, a bottle of vodka cost about 4 rubles; now it costs 12 rubles (around 50 yuan). Vodka costing 7 rubles in the past is unavailable even at a staggering price.

Soviet officers and men drank to their satisfaction here on our side. When they said good night, they would each grab a bottle of Chinese liquor in their coat pockets, not even leaving the remainder of the opened bottles.

We have shown understanding for their difficulties. Whenever it is their turn to invite us to attend their banquets on major Soviet festivals, we will take along with us bottles of "Ili liquor," known as Xinjiang's Maotai.

The sparkling crystal glasses are filled with "Ili liquor" and "Moscow Vodka," while warm friendship flows from heart to heart...

There was a Beijing-made Phoenix-brand color television set for our officers and men, who could watch programs from both Chinese and Soviet broadcasts. That has been a great "advantage" of the Huoerguosi frontier inspection station.

Likewise, the color television set at the Soviet frontier inspection station could do the same. Soviet officers and men have a special liking for Chinese martial arts

movies, such as "The Shaolin Temple," "The Lonely Assassin," and "The Living Buddha Jigong." They never tire of watching them, and earnestly ask, "What other good martial arts movies do you have?"

If there happened to be some outstanding show in the week's program, the Chinese side would hoist its flag to notify the Soviet side. Then, officers and men of both sides would sit in front of their own television sets, watching the same show. That could be fun in a way.

In his olive-green woolen officer's uniform and white gloves, Deputy Department Director Guo of the Huoerguosi frontier inspection station looked smart and in the best of health, solemn as well as kind. He gave me the precious souvenir a Soviet friend had earlier presented him.

It was a silvery 20-kopeck coin. On the front was the cruiser "Aurora" known for its shelling the Winter Palace in the October Revolution; on the back was the Soviet national emblem consisting of a hammer, a sickle, the earth, a star, ears of wheat, and the figures "1917-1967." It was minted to mark the 50th anniversary of the victory of the Soviet October Revolution. It contained a lot of nickel and was rather heavy.

The coin contains the body heat of a Soviet soldier, a Chinese soldier, as well as mine—the body heat of a Chinese journalist.

I raised my head. Again, I saw the wild doves above the boundary river—flapping their greyish-blue wings—making several beautiful loops in the sky—

Will the world become one some day, with people of different skin colors speaking different languages enjoying freedom without boundaries like the wild doves?

**Interview With Hou Zongbin**

*40050209a Beijing RENMIN RIBAO in Chinese  
8 Apr 88 p 1*

[Report on Interview with Hou Zongbin, governor, Shaanxi Province by reporter Pan Gang [3382 1511]: "Only by Accepting NPC Supervision Can Government Act With Authority; A Talk With Hou Zongbin, Governor of Shaanxi Province"]

[Text] On the eve of Spring Festival, one news item burst out of Shaanxi: The provincial government intervened in a matter of personnel appointments and dismissals by Yenchuan County's people's congress. When the provincial governor realized the mistake, he immediately made a correction and personally went to submit a self-criticism (see 1 January 1988 issue of this paper).

Unexpectedly, this old news item became a live topic of discussion among some NPC delegates during the first session of the Seventh NPC. Many delegates thought that the governor of Shaanxi had acted correctly. But there were also people who grumbled that this may have an adverse effect on the authority of the government.

The other day, this reporter made an appointment with Shaanxi Governor Hou Zongbin [0186 1350 6333], who was attending the first session of the Seventh NPC, to talk about his views in this matter. Hou Zongbin said: "The key to the question is the change in concepts. In the past, people have always taken the NPC to be a "rubber stamp" organization; if and when the government submitted something to the NPC for deliberation, it was only complying with a formality. Now we have to change this concept! I believe we definitely have to regard the NPC as an organ of power, a policy-making organ, while the government is merely executive organ. When the government makes its work report to the NPC, it is complying with a legal procedure. The relationship between the two must not be turned upside down."

Hou Zongbin believes that in the last few years, democratic politics in China are gradually moving onto the right track. Many people begin to see the NPC as an organ which expresses their own will. This change is an important indication that China is moving toward government by law. If first-ranking governments consciously accept the supervision of the NPC, it will not only prevent carelessness and oversights in work, but also gain NPC support for their work, providing such work with a much better foundation in the masses.

As an example, he said, in the latter half of last year, many people complained about the 3-year-long stagnation in grain production in the province and the steep increase in the sales prices of non-staple foods in the cities. Several members of the highest provincial leadership went separately to eight prefectures and municipalities and investigated the entry of science and technology into rural areas, the development of pig raising, North

Shaanxi agriculture, the diversified economy of Shangluo Prefecture, and the enterprises this side of the Great Wall. At the sixth session of the Sixth Provincial People's Congress, convened in January this year, Hou Zongbin established a precedent by presenting a report on the work in the rural areas, and proposed specific measures to be taken in this area. After due deliberations, the congress delegates formulated a resolution and passed it to the government for execution. Investigations following the conclusion of the congress revealed that all the measures were very well carried out. Hou said that there were two reasons for this: First, through the deliberations at the people's congress the measures had assumed a more realistic and more feasible form; Second, being incorporated into a resolution of the congress lent a more authoritative character to the measures. If municipalities or counties would be negligent in executing the measures, there would be supervision by the local NPC delegates who would urge implementation.

By now, it has become an institution in Shaanxi Province. When the Standing Committee of the Provincial People's Congress meets once every 2 months, there has to be a work report by the leadership of one or the other department of the government. The People's Congress, on the other hand, will at all times and quite frankly voice its opinions. This is a true state of "each fulfilling his responsibilities, but all wholeheartedly working together."

If there are government proposals to which the People's Congress raises objections and will not pass, what then? Hou Zongbin said: "At such times the government should listen more closely to the opinions of the People's Congress and must not go it alone."

Last year, the provincial government asked the Standing Committee of the Provincial People's Congress to dismiss a person of department-head rank from his post. After deliberating the case, the people's congress objected and considered the reasons given by the government for the dismissal as insufficient. After again carefully studying the case, the government decided to respect the opinion of the people's congress and kept the department head in question in his position.

Did the action of the people's congress of rejecting a government proposal not lower the prestige of the government? Hou Zongbin said: "You must not look at it that way! By respecting the opinion of the people's congress, the government's work will be better founded and more carefully worked out. Performance of highly effective work is the only way for the government to endear itself to the masses. If all items submitted by the government, and all the personnel selections by the government, are without exception to be passed by the people's congress, what kind of supervisory role would the people's congress then play?"

Hou Zongbin said, accepting supervision by the people's congress does not mean that every little item must be referred to the congress for instructions. For work that is within the scope of the government's authority the government must have the courage to take on responsibility.

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**CPPCC Debates 'Brain Drain,' Policy on Studying Abroad**  
*40050211a Shanghai SHIJIE JINGJI DAOBAO  
in Chinese 11 Apr 88 p 3*

[Article by Beijing staff reporter team: "Going Out Into the World and 'Homeward Bound'; Discussion at the CPPCC of Brain Drain and Policy on Studying Abroad"]

[Text] The debates of delegates to the NPC and members of the CPPCC on all aspects of "nation building" and "nation strengthening" plans focused on strategic ideology and current organizational structure. In these debates, the discussion of the topical issues of a policy on studying abroad and of the brain drain threw some light on where the contradictions and dangers are to be found in this area.

Li Zhengdao [2621 2398 6670] and Yang Zhenning [2799 2182 1337]—They Still Have To Have Successors!

Ru Xin [3067 0207], vice president, Chinese Academy of Social Sciences: Income from mental work is generally lower than income from physical work, but this phenomenon of an "inversion of body and mind" runs counter to the law of value. Because of low remuneration, much talent is leaving the country. Few of our top students trained at the Shanghai Institute of Music remain in China. Most of our best students of Beijing University's physics department also go abroad. Now, that the country is just in need of qualified people, our top-ranking talents have left the country to become cheap labor used by others. This is certainly having an ill effect on our construction projects.

Delegate Jin Chongji [6855 0394 0644], deputy head, Central Cultural Research Office: Brain drain is not limited to the outward movement of people to foreign countries. Because of the low pay for intellectuals, many middle-aged and young specialists abandon work in the fields of their specializations, and move into companies, enterprises, and other units where pay is high.

As to how we should view the problem of overseas students not returning to China, I remember Qian Xuesen [6929 1331 2773] had written an article last year, in which he displayed real knowledge and deep insight. Delegate Hu Zheng [5170 1767], professor, Northwest Electronic S&T University, Shaanxi, expressed the opinion: If students are able to obtain scholarships for study abroad, the state should send them out to study. Among China's population of 1 billion, there are many good

students, and we need not worry whether those who have gone abroad will come back. We must be more farsighted; Li Zhengdao and Yang Zhenning still have to have successors!!

Delegate Liu Chenggang [0491 4141 6921], president, Chengdu Telecommunications Engineering College: "If some of the students don't come back, we don't need to worry about it too much. One of my students is head of a laboratory abroad; why should we bring him back. In one American city, Taiwan students bought a piece of land and called it 'Little Taiwan.' We could also buy a piece of land and call it 'Little Beijing.' There is no need to get them back!"

Why do overseas students not return? Liu Fu-guang [0491 1788 0342], professor, Wuxi College of Light Industry, said: Returned students make only 98 yuan. That is too little; it really amounts to telling them not to come back.

In this matter, a man who is well acquainted with the psychology of returned students told me, the material treatment is merely one side of the problem, a more weighty reason is that returned students are not free to choose the fields for their intellectual creativity and cannot develop an independent personality. The ceaseless perturbations and the wastefulness of their domestic use are too much of a shock for anyone to bear, the more so since it contrasts with a different relaxed environment which these people had experienced. What use for them to come back?

Policy Must be Rational and Stable; the Key to the Problem is to "Unclog" rather than to "Block"

Yang Le [2799 2867], director, Mathematics Institute, Chinese Academy of Sciences, expressed the opinion that there is no sufficiently stable policy on studying abroad, and that this is not helpful toward inducing overseas students to come back to China. Rather, it is having an adverse effect on university students and graduate students in China. At present, overseas students are concerned that once they are back in China, they will never again have an opportunity to go abroad. In this connection, Yang Le suggested formulating a rational policy for this group of people, granting them freedom to come and go. At the same time, improvements should continue in all work that is concerned with the dispatch and control of personnel going abroad.

Delegate Xie Yingying [6200 3853 3853], assistant professor, Beijing Foreign Languages Institute: All students going abroad now have to sign an agreement pledging to return to China after completion of their studies; they also have to provide a guarantor. Not only is this method useless in trying to achieve its purpose, it is also humiliating to intellectuals. This delegate believes there are two crucial points that must be observed in trying to resolve the problem: First, having a prosperous and strong country as backing; second, creating favorable

working conditions for returning students, which will induce them to come back. It is therefore proposed that the State Education Commission rescind its decision to require students going abroad to sign guarantees.

Delegate Guo Musun [6753 1970 1327], research fellow, Metallurgy Institute, Chinese Academy of Sciences: Since brain drain has become an accomplished fact, the state must adopt measures to solve the problem.

Delegate Zou Chenglu [6760 2110 7627], research fellow, Biophysics Institute, Chinese Academy of Sciences, spoke frankly and concisely: "I am somewhat pessimistic about China's prospects in science and technology. The main point is that we cannot keep well qualified persons, and even if we manage to keep them, we cannot "keep their hearts." The few graduate students that work with me intend to somehow muddle through until they get a degree and then to go abroad. A few thousand years ago, when the Great Yu regulated the waters, he was wise enough to use the method of unclogging, rather than blocking. Any blocking would not hold back the water. Shanghai has prescribed a penalty of 10,000 to 50,000 yuan for overseas students who do not return, saying that this is the expense for having trained them. This method is no good. It can only generate centrifugal force." He added that blocking will not hold back talents. If you really want to block, then, excuse my saying so, first block the children of high leading cadres. Last year, when I worked in the United States for four months, I met several sons and daughters of high leading cadres. Before saying three words, they tell that they are the children of such-and-such a person, lest people would not know it. The Americans knew their background and also took particular care of them. I registered last year to be allowed to speak to the CPPCC. I suggest to change the name of comrade Zhang Jingfu's [1728 0513 1133] office from "Office for the Importation of Talents" to "Office for Keeping Back Talents." The more blocking, the more outflow there will be. Only if there is much outward movement can there be much inward movement!

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#### **Shanghai Conference Identifies Backward Personnel Practices**

40050211b Shanghai SHIJIE JINGJI DAOBAO  
/WORLD ECONOMIC HERALD/ in Chinese  
11 Apr 88 p 3

[Article by Lu Yi [7120 0001]: "Qualified Personnel are Calling for a Rational Organizational System"]

[Text] Social production in a planned commodity economy requires "three factors," namely the human factor, finance, and materials, for the mechanism to operate. In the management of manpower (including talented people), it is necessary to break with the old conventions of the production-oriented economy and enter the market places, those places of competition, as the only way to thoroughly transform the state of imprisonment and

restrictive ties which the traditional system of personnel management is now imposing on the creation of the nation. This is the new message that was sent out to society by the Shanghai Working Conference for the Reform of the System of Management of Qualified Personnel, which opened 6 April.

The Chinese people, always famous for their diligence and intelligence, have brought forth large numbers of talents, but in recent years we hear from time to time that good talent is being wasted, talent is being suppressed, talented people find no openings to bring their qualities to bear, talents are prematurely aging and dying, etc.

In the end, some people are much saddened and worried about the departure of our good talents (going abroad or to other areas of China), worried that China will lose the benefit of even the small number of qualified people that it has. In the end there was talk of closing the doors of the country to students who want to go abroad, limiting the ages of students who may go abroad, etc. and practices were instituted of forbidding such people to move and take concurrent jobs, forbidding them to resign, etc.

#### **What Constitutes the Problem?**

A favorable situation in the area of qualified manpower is not maintained by sheer numbers, more important is it to watch the rate at which they are made use of and the quality of the way this manpower is managed. Taking Shanghai as an example, in 1984, specialists accounted for 2.7 percent of the population, which by the end of 1987 had increased to 4 percent. It would be over 5.3 percent if units under the central government were added. But if we figure according to the 1986 investigation of the Shanghai Personnel Bureau and the Bureau of S&T Cadres, which says that only one-third of the technical specialists are used to the fullest extent, that figure would fall to below 1.8 percent. It shows that even if statistically a certain favorable situation has been gained, without a solution of the problem of use and management quality, it really amounts to having lost all advantages.

Suppression and waste of talents have more serious consequences than causing our talented people to move abroad. Disregarding for the time being the question of students leaving the country to study abroad, and looking only at the movement out of Shanghai to other areas of the country, the actual facts illustrate the problem very clearly: From 1983 to today, the average ratio of qualified people entering and leaving Shanghai was over 6.7:1, this is not an outward flow but an inward rush. What is moving out, therefore, is not population, but only intelligence. People concerned believe that this is due to Shanghai's policy that has not yet relaxed its controls, and thus "forces" certain people to move to areas outside of Shanghai to seek concurrent employment.

This shows us that the personnel problem is rooted in the organizational system, mechanism, and policy of personnel management. In recent years, with the intensified reform of the economic system and the development of the socialist commodity economy, commodity production is gradually shifting to operation under the mechanism of commodity economy, capital is also beginning to circulate through the mechanism of commodity economy, it is only manpower (including qualified personnel) that is still distributed through the mechanism of the production-oriented economy. The "three factors" of social production are operating under two different mechanisms, and this leads of necessity to many contradictions and makes it impossible for qualified technical personnel to be fully made use of. If this state of affairs is to be changed, qualified personnel must be brought into a highly effective, multilevel, and large-capacity personnel market, where it would undergo regulation. If market mechanism would be introduced, it would naturally also lead to the mechanism of competition, and would fully unleash the initiative of the personnel in question. Practice in recent years has proven that a good mechanism unlocks unlimited potential, while, conversely, a bad mechanism leads to all kinds of difficulties. The Chinese are a very clever people, but the problem with them in the past was that they had allowed a bad mechanism to tie them down.

The Shanghai Bureau of Personnel Affairs and the Bureau of S&T Cadres, after revealing to society the mysteries of personnel work, took the lead nationwide to pledge formation of a market for qualified personnel, which will embody all plans for the reform of the management system for qualified personnel and eight complete sets of measures regulating employment, social insurance, resignation, retirement, mobility, concurrent jobs, arbitration, and a social regulatory mechanism. This will no doubt induce a complete and thorough reform of China's traditional system of personnel management.

Some say that the personnel issue will determine a country's status in the 21st century. There are also people who say that China's backwardness is a backwardness in personnel management. Reform of the economic system, reform of the political system, and additionally the reform of the system of personnel management, are the three factors which will have the effect of a guarantee for success in narrowing the gap between China and the developed countries.

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## NATIONAL AFFAIRS, POLICY

### Shareholding System Compared With Contract, Leasing Systems

40060216 Beijing GUANGMING RIBAO in Chinese  
19 Mar 88 p 3

[Article by Guo Yuanxi [6753 0337 2522]: "An Analysis of the Shareholding System in Comparison with Contract and Leasing Systems"]

[Tex] The shareholding system is a new phenomenon that has arisen with economic restructuring in China. It has much in common with the contract and leasing systems, and is compatible with them, while at the same time it is present within the planned commodity economy in the elementary stage of Chinese socialism. Nevertheless, in the final analysis there are differences between them. Observed from the perspective of economic relationships, the shareholding system differs from the contract and leasing systems at least in the following features. And it is these features that determine the different role each system plays in developing the socialist commodity economy.

The first major characteristic of the shareholding system is that it can accommodate the coexistence of many kinds of owners. Furthermore, as far as the material form of the means of production is concerned, there is harmony among these different owners rather than independence and exclusivity. Specifically, the owners participating in the shareholding system may be the people as a whole, collectives, or even individuals. How much of the shareholder's property is in monetary form is determined primarily through voluntary subscription. Although there are differences between shareholders in the monetary value of their respective properties, as far as the material form of their properties is concerned we can lump them into one organic whole. After a stock market is formed, as long as stock transfers are permitted, not only will the size of owners' shareholdings vary, but the cash owners of enterprise property will change and be replaced. Even so, different kinds of owners can still coexist, and the material form of the means of production cannot be carved up or replaced in consequence. For this reason, the differences between the shareholding system and the contract and leasing systems must be manifested in the following two ways: 1) In the contract and leasing systems operators are responsible to a single owner, and it is easy for that single owner to interfere in or control affairs directly. By contrast, in the shareholding system operators are responsible to many owners simultaneously, and an owner cannot independently meddle in or exert control over affairs directly. 2) In the contract and leasing systems, operators and producers are in a fixed dependency relationship with the single owner of the means of production. By contrast, in the shareholding system, although operators and producers are still in a dependent relationship with the means of production, they can extricate themselves

from a fixed dependency relationship with a single owner.

The second major characteristic of the shareholding system is that, as a pattern of property organization, it must entail a "separation of powers," thus ensuring that the owners do not engage directly in production operations. Proceeding from this, it leads to and accommodates various means of organizing production and operations. As a pattern of property organization, the shareholding system has many advantages over contract and leasing systems. The primary manifestation of this is that the shareholding system is first and foremost a means of fund raising. Not only can it ensure that society's idle currency is collected together and converted into production funds, it can also spur different enterprises to concentrate their dispersed properties, bringing about property aggregation and leading to greater socialization in the scale of production. Following from this, the shareholding system cannot help but bring about a separation of powers over the means of production itself, in two different senses: one is that the owners experience a separation of powers between the monetary and the material forms of the means of production; and the other is that there is a separation between proprietary rights and use rights over the means of production. The result of separation on these two levels is that the shareholding system can accommodate many methods of organizing production management. That is to say, under a shareholding system, various other forms of production management, such as contract and leasing systems, can also be derived. This feature of the shareholding system makes it a high-level form of organization—something which is not true of the contract and leasing systems. In this sense, the shareholding system belongs to a productive form of organization, whereas the contract and leasing systems belong to a derivative form of organization. Consequently, the concrete form of production management that the shareholding system produces is quite flexible, allowing a large latitude of choices.

The third major characteristic of the shareholding system is that it can spur different owners to integrate their economic interests. Thus it makes various interests more sociable. Right now it is quite popular in the contract system to guarantee the production of a baseline amount and guarantee the state's share." The advantage of this method is that, after a sustained increase in state finances has been guaranteed, the more excess earnings an enterprise produces, the larger the share of those earnings the enterprise will retain. In the leasing system, when taxes are paid according to regulations and the rent is paid, the remainder belongs to the leaseholder himself. The actual nature of the system is about the same as the contract system. But the profit distribution in these two methods is instituted out of the opposed economic interests engendered in the separation of powers between owners and operators. It is impossible for the two opposing sides to control the one-on-one bidding and counter-bidding that occurs in profit distribution. But with the shareholding system, this kind of dispute can be

avoided. In the shareholding system, except for taxes paid according to regulations, the remaining state profits are distributed according to shares. Although the owners differ, they assume all risks in common. The shareholding system that we now advocate attempts to put this characteristic to good use so that operators and producers simultaneously become owners. Given that operators and producers do simultaneously become owners, this may make them as concerned about their interests as owners as about their interests as operators and producers. Not only this, but because the shareholding system adopts a method of sharing dividends between owners, no matter whether one is purely an owner, or an owner who is also an operator or producer, one is particularly concerned about an enterprise's production management and economic returns. This may do much to spur enterprises to conscientiously establish their own restraint mechanisms and pay attention to controlling short-sighted behavior.

The fourth major characteristic of the shareholding system is that it enables enterprises to have their own properties. Thus, it may gradually give them more management autonomy and make them assume sole responsibility for their profits and losses. Right now the contract and leasing systems are pursuing a "separation of powers," and indeed they can, to a fairly large extent, resolve the issue of enterprise management autonomy. But neither of these systems can fundamentally resolve the issue of enterprises assuming sole responsibility for their profits and losses. Consequently, in the contract system, the contractors have absolutely no property that they own themselves. When the enterprise sustains a loss, contractors cannot use their own property to make good the loss. In the leasing system, although many operators are mortgaging their own properties, and some can to a certain extent bear the burden of losses, for the majority this ability is limited. Therefore, the current contracting and leasing systems are limited with respect to management autonomy. In implementing a shareholding system, we must allow enterprises to have proprietary rights over some portion of property. When an enterprise is making a profit, it can expand on its own initiative, and when an enterprise is losing money it can make good on its losses. It might be said that assuming sole responsibility for profits and losses is the strongest accompaniment to and assurance for management autonomy. In fact, enterprises that are capable of taking sole responsibility for profits and losses must have more internal motive power and more external pressure in the area of management autonomy.

The above characteristics and functions of a shareholding system in no way preclude us from pursuing our existing contract and leasing systems or taking advantage of their functions. Due to various factors, some enterprises can enjoy major advantages by implementing contract or leasing systems right now. We cannot implement shareholding systems to categorically reject the current pursuit of contract and leasing systems. In a word, the form that an enterprise should adopt should be decided by that enterprise's practical situation.

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## PROVINCIAL

### Jiangxi Statistical Bureau Report on 1987 Economic, Social Development 400011221 Nanchang JIANG XI RIBAO in Chinese 9 Mar 88 p 2

[Text] Under the leadership of the CPC Central Committee, the State Council and the provincial party committee and government, Jiangxi in 1987 upheld the four cardinal principles; conscientiously effected programs of reform, opening and invigoration; initiated a broad movement to "expand output and economize"; and thereby achieved stable growth in production, booming markets, vigorous external economic ties and new advances in science, technology, culture, education, public health and athletics. According to preliminary statistics, the province during the year registered a GNP of 26.20 billion yuan, an increase of 9.1 percent over the previous year, national income of 21.80 billion yuan, a rise of 9.1 percent, and a gross value of industrial and agricultural output [GVAO] of 32.866 billion yuan, an increase of 12.5 percent over the similarly calculated figure for 1986 (Footnote 1), thereby completing or overfulfilling the 1987 targets in all these areas (Footnote 2). The principal problems confronting the province's economy are that aggregate demand still exceeds supply, some commodities and producer goods and materials remain in short supply; and prices, especially those for vegetables and other nonstaple foods, have risen sharply.

#### I. Agriculture

Bumper harvests were registered throughout Jiangxi's agriculture in 1987. The province's gross agricultural output value was 10.79 billion yuan for the year, representing an increase of 8.8 percent over 1986 and an overachievement of the target set forth in the annual plan by 6.9 percent. And the combined GOV for forestry, animal husbandry, fishery and sideline industry rose by 11.0 percent over the previous year and accounted for a larger share of agricultural production, rising from 39.8 to 40.6 percent.

Among major agricultural crops, grain output totalled 15,627,700 tons, establishing a new record and representing a rise of 7.5 percent over 1986; cotton, oil crops, sugar cane, flue cured tobacco and ramie registered large increases in output; and records were set in tea, silkworm cocoon and fruit production.

Output of principal agricultural produce was as follows

#### Output of Principal Agricultural Products in 1987

Product	1987 (1,000 tons)	Increase over Previous Year (%)
Grain	15,627.7	7.5
Cotton	59	8.5
Oil Crops	357	13.0
Peanuts	158	16.4

**Output of Principal Agricultural Products in 1987**

Product	1987 (1,000 tons)	Increase over Previous Year (%)
Rape Seed	172	9.6
Sugar Cane	1,908	10.9
Jute and Hemp	28	-23.1
Ramie	33	150
Flue-cured Tobacco	4	110
Sun-dried Tobacco	6	38.3
Silkworm Cocoons	1	10.8
Tea	17	9.9
Fruit	173	7.2
Oranges and Tan- gerines	126	12.5

During the year, we achieved further progress in our forestry policy, improving forestry management, mobilizing the enthusiasm of the broad masses for a forestation and tree protection work, and planting 4,663,000 mu of land with trees, 234,000 mu more than in 1986. Among principal forest products, oil-tea seeds registered an output of 139,800 tons, a rise of 38.5 percent over the previous year. But despite these gains, reckless tree felling persisted.

Animal husbandry output continued its steady growth, with inventories of large livestock and herbivores and output of milk, pork, beef and mutton showing increases during the year. Despite these gains, poultry and egg output and the number of female sows dipped slightly.

Output of principal animal husbandry products was as follows.

**Output of Principal Animal Husbandry Products in 1987**

Product	1987	Increase over 1986 (%)
Pork, Beef, Mutton (Tons)	781,000	7.2
Milk (Tons)	22,000	17.6
Eggs (Tons)	129,000	-0.1
Slaughtered Pigs (Head)	10,708,000	8.4
Year-end Inventory of Large Livestock (Head)	2,845,000	6.2
Year-end Inventory of Pigs (Head)	13,876,000	3.2
Year-end Inventory of Sheep (Head)	107,000	7.3

Fishery production grew rapidly, with aquatic products registering an output of 226,000 tons, a rise of 17.1 percent over the previous year.

Agricultural inputs increased, and productive conditions improved in 1987. During the year, power output of agricultural machinery totalled 6.10 billion watts, a rise of 8.9 percent over 1986; there were 250,000 large and

medium tractors, an increase of 0.5 percent; 80,000 small and walking tractors, a rise of 8.1 percent, and 20,000 agricultural trucks, an increase of 9.3 percent; irrigation-drainage equipment registered a total power output of 1.38 billion watts, a rise of 3.0 percent; 564,000 tons (calculated on the basis of 100 percent effectiveness) chemical fertilizer were used throughout the province, a rise of 6.5 percent; and rural electricity use totalled 1.17 billion kilowatt-hours, a rise of 22.0 percent.

Rural reform steadily advanced, further invigorating rural economic development. According to preliminary estimates, the GOV of Jiangxi's villages (Footnote 3) in 1987 was 22.20 billion yuan, a rise of 16.0 percent over the previous year; the total output value of rural industry, construction, transport and commerce rose by 16.8 percent; and the share of these sectors in total rural output rose from 34.8 to 35.0 percent.

**II. Industry**

Industrial output continued to grow at a stable rate. GIOV amounted to 22.076 billion yuan during 1987, representing a rise of 18.1 percent over the similarly calculated figure for 1986 and an overfulfillment of the annual plan by 7.3 percent. When the production of village and subvillage industry—19.487 billion yuan—is deducted, the GOV for the rest of Jiangxi's industry grew by 15.4 percent. Output of state-owned industry rose by 14.8 percent, collective industry by 23.9 percent and other forms of industry by 110 percent. Town and township industry registered 4.158 billion yuan in output, or 4.858 billion, if village and subvillage industry is fully incorporated into the total, as was done in 1986, thus representing a rise of 30.6 percent.

Light and heavy industry were brought into greater balance, and the industrial mix was improved. The GOV of light industry amounted to 9.273 billion yuan during 1987, a rise of 17.4 percent over the previous year, and heavy industry contributed 10.214 billion yuan, an increase of 13.7 percent. Thus the ratio between light and heavy industry changed from 46.8:53.2 to 47.6:52.4. Within light industry, the output of sectors employing nonagricultural raw materials rose by 25.0 percent, and sectors using agricultural raw materials registered an increase of 14.5 percent. In heavy industry, extractive and raw material producing industries experienced a 15.6 percent rise in output, and manufacturing industry registered an 11.4 percent improvement.

The output of principal industrial goods was as follows.

**Output of Principal Industrial Goods in 1987**

Product	1987 (1,000 tons)	Increase over 1986 (%)
Yarn	25,617	7.3
Cloth (Meters)	33,501	8.7
Chemical Fibers	17,143	14.6
Machine-processed Sugar	116,463	-13.9

**Output of Principal Industrial Goods in 1987**

Product	1987 (1,000 tons)	Increase over 1986 (%)
Alcoholic Beverages	262.9	25.2
Rolled Tobacco (1,000 Cases)	329.0	10.0
Bicycles (1,000 Units)	515.3	31.6
Sewing Machines (1,000 Units)	30.2	-72.1
Watches (1,000 Units)	676.9	-20.4
Televisions (1,000 Units)	224.2	130
Tape Recorders (1,000 Units)	421.1	-131.1
Cameras (1,000 Units)	190.0	28.8
Electric Fans (1,000 Units)	584.9	4.6
Raw Coal	19,369.7	3.9
Refined Petroleum	1,349.1	10.9
Generated Electricity (Billion kwh)	10.012	6.2
Steel	1,053.6	14.9
Steel Products	907.3	18.8
Pig Iron	840.1	4.6
10 Nonferrous Metals	68.2	450
Lumber (Commercial) (1,000 Cubic Meters)	1,947.2	-15.8
Cement	4,282.0	7.0
Sulfur	359.0	23.7
Caustic Soda	52.6	18.8
Chemical Fertilizer (Pure Equivalent)	304.2	25.7
Alternating Current Motors (1,000 Kilowatts)	1,035.8	7.5
Industrial Boilers (Evaporation Capacity)	849	-31.8
Machine Tools (1,000 Units)	6.371	33.2
Automobiles (1,000 Units)	5.622	47.5
Small Tractors (1,000 Units)	19,073	48.7

Economic results improved. During 1987, four Jiangxi industrial products won national gold or silver medals, which performance ranked the province 15th in the nation; 75 Jiangxi products received ministerial awards for superior quality; and 325 products won provincial awards for quality. Throughout the province's industry, aggregate energy consumption per 10,000 yuan of output fell from 6.02 tons [coal equivalent?] in 1986 to 5.55, there was a savings of 830,000 tons [coal equivalent?] and the rate of energy savings was 7.81 percent. Industrial state enterprises practicing independent accounting registered an average productivity rate of 12,374 yuan per employee, an increase of 11.3 percent over 1986, industrial state enterprises engaged in planned production remitted 1.492 billion yuan in profits and taxes, a rise of 19.0 percent over 1986, enterprise operational losses were reduced by 5.8 percent from 1986, and working capital turnover time was reduced by 8 days, for an acceleration of 6.3 percent.

During 1987, enterprise restructuring began to involve complementary reforms of enterprise internal mechanisms. By the end of the year, 94 percent of all state firms

engaged in planned production in the province had effected various forms of contract management, and 121 firms had introduced competitive systems and openly recruited plant managers on a contractual basis. A survey of 2,311 industrial state enterprises found that 1,539 of these firms had instituted plant-manager responsibility systems and that 559 small state firms had effected collective management, initiated leasing arrangements or contracted responsibility for various operations over to individuals.

**III. Fixed Capital Investment and the Construction Industry**

Fixed capital investment was brought under control during 1987. For the year, Jiangxi's urban and rural fixed capital investment totalled 5.791 billion yuan, a rise of 8.5 percent over 1986, but, when adjusted for inflation, was actually about equal to the level of 1986. Of the total, state units accounted for 3.161 billion yuan, a rise of 4.3 percent over 1986, the smallest increase since 1972; urban and rural collective units contributed 540 million, a rise of 34.2 percent; and individuals in cities and the countryside accounted for 2.087 billion, an increase of 9.9 percent.

Key development projects were strengthened in 1987. Of the fixed capital investment made by state units, 1.153 billion yuan, an increase of 14.2 percent over 1986, was devoted to energy industries, agriculture, communications and transport, and science and education, and the share of investment devoted to these sectors increased from 33.3 to 36.5 percent. Of this investment, 558 million yuan, an increase of 22.1 percent, went to energy industries, and 193 million, a rise of 51.6 percent, went to agriculture. The Jiangxi Copper Co, the Guixi Power Plant and the Anshui Power Station, projects that were assigned reasonable completion dates by the state, effected 303 million yuan, or 95.8 percent of the planned total for the projects, in investment. And with the exception of the Luoshi mine area railway and two other projects, all of the other 28 key projects that were slated to be completed and to go into production during the year did so according to plan. Thus a variety of projects were completed rapidly and effectively.

Infrastructural construction provided logistical support for economic development in 1987. Of all investment made by state units, capital construction accounted for 1.561 billion yuan during the year, an increase of 2.8 percent over 1986, and 96.7 percent of the 270 million of this investment that the state plan stipulated was to be subject to project evaluation was completed according to plan. 832 million yuan in fixed capital investment was made in new projects that were completed and went into production during the year, and 1,136 capital construction projects, including 3 large and medium projects, were completed and put into production. This investment resulted in the following major improvements in productive capacity: 125,000 kw in electricity generation, 208 km in power lines, 120,000 kva in transformer

substations, 120,000 tons in coal excavation, 150,000 tons in coal washing, 4,000 tons in synthetic fibers, 2,000 tons in viscose fibers, 20,000 tons in polyvinyl chloride, 36,000 tons in calcium carbide, 40,000 tons in soda ash, 40,000 tons in ammonium chloride, 5,000 tons in sitejiu [0934 3676 6794 literally, four-flavored spirits] and 12,000 tons in animal feed additives.

Enterprise technological transformation accelerated. During 1987, state units invested 1.275 billion yuan, 9.0 percent more than in 1986, to upgrade their production facilities, and the share of this investment in total state fixed capital investment rose from 38.6 percent in 1986 to 40.3 percent. Included in this amount was 578 million yuan, a rise of 2.0 percent, for equipment purchases and tooling; 536 million yuan, an increase of 13.0 percent, to increase productive capacity; and 316 million yuan to improve product quality, reduce energy consumption, and expand product lines, a rise of 2.1 percent—and of this amount, investment to improve product quality rose by 98.1 percent. 989 projects were completed and put into production during the year, and 750 million yuan was invested in new projects.

Construction industry reform registered further advances. State construction firms instituted contract responsibility systems for 2,205 projects involving 3,258,600 square meters of construction area, or 91.7 percent of the total area completed during the year. 316 of these projects, involving 782,500 square meters, or 22.0 percent of the total, were contracted through bidding. These reforms spurred production and improved labor productivity, and so the GOV of the provincial state construction industry rose by 11.4 percent and labor productivity climbed by 6.3 percent over the previous year.

New results were achieved in geological work. 408,000 meters of drilling work was completed in 1987, and new reserves of copper, gold, zinc, lead, tin, tungsten and 12 other minerals sufficient to support small or larger mining operations were discovered at 24 sites.

#### IV. Transport, Posts and Telecommunications

Reform of the transportation sector advanced, effort was made to step up construction of new transport lines and improvements of old lines, and thus transport capacity was expanded during 1987. For the year, freight turnover totalled 23.439 billion ton-km, a rise of 7.4 percent over 1986. Of this total, railway volume increased 7.1 percent, highway volume declined 1.0 percent, and water transport rose 9.9 percent. Passenger turnover totalled 14,849 passenger-km, an increase of 7.8 percent over 1986. Of this total, railway volume increased 10.4 percent, highway volume rose 3.7 percent, water transport grew 13.4 percent and air transport climbed 29.6 percent. Despite these improvements, railroad capacity grew tighter during the year.

The postal and telecommunications industry continued to develop in 1987. During the year, the industry registered a total operational volume of 87.14 million yuan, a rise of 11.2 percent over 1986. By year's end, there were 64,000 telephone customers in the province, an increase of 6,100 over the same period in 1986. And the industry posted an operational income of 98.658 million yuan in 1987, an increase of 21.0 percent.

#### V. Domestic Commerce and Supply of Producer Goods and Materials

The domestic market continued to boom in 1987. During the year, social commodity retail sales volume totalled 12.612 billion yuan, a rise of 13.2 percent, or an actual increase of 5.9 percent, when adjusted for inflation, over 1986. Of this amount, consumer good sales totalled 10.877 billion yuan, an increase of 12.7 percent, of which total sales to residents rose 13.8 percent and sales to social groups increased 3.1 percent; and sales of agricultural means of production totalled 1.735 billion yuan, a rise of 16.5 percent. All forms of economic ownership registered increases in sales during the year: State units showed a rise of 10.2 percent, collectives 8.0 percent, jointly run units 11.8 percent and individuals 22.8 percent. And peasant sales to nonagricultural residents rose 29.1 percent.

Consumer good sales rose across the board during the year, with foods showing a rise of 14.0 percent (4.0 percent when adjusted for inflation), apparel 7.5 percent, and utensils 13.0 percent. Of 30 major food, clothing and utensil goods sold by the state and by commercial departments, 15 registered increases of various magnitudes.

Trade administration was further restructured in 1987. By the end of the year, most large and medium commercial enterprises had effected management responsibility systems, and 74.6 percent of all small state commercial, catering and service enterprises had been transformed into state-owned and collectively managed units, transferred to collective ownership, or leased out to collectives or individuals. Urban and rural markets increased in number from 2,234 to 2,350, and free markets handled a total trade turnover of 3.42 billion yuan, an increase of 32.4 percent over 1986.

The economic results of state trading firms and supply-marketing cooperatives gradually improved during 1987. For the year, these systems registered a 9.3 percent increase in net sales volume, reduced the costs of selling 100 yuan of merchandise by 1.4 percent and raised profit margins by 28.5 percent.

Prices rose rapidly in 1987. Retail prices climbed 6.9 percent during the year (and the December level thereof was 8.5 percent higher than the same period of the 1986), urban prices rose 8.2 percent and rural prices increased 5.7 percent. Food prices climbed 9.6 percent and, among nonstaple foods, vegetable prices rose 22.3 percent;

meat, poultry and egg prices soared 15.2 percent; and aquatic product prices leaped 16.3 percent. Clothing went up 2.8 percent, daily necessities increased 5 percent, drugs and medical supplies rose 3.6 percent, fuels 3.8 percent, and agricultural means of production 8.8 percent. The province's urban cost of living index rose 7.9 percent, procurement prices for agricultural and sideline goods were hiked 12.8 percent, and disguised price increases occasionally occurred on markets.

The range of capital goods subject to market regulation steadily expanded in 1987, and there was a decline in the proportion of steel products, coal, cement, lumber and other important producer goods and materials distributed through the state plan. Net sales of producer goods and materials totalled 1.628 billion yuan, a rise of 19.1 percent over 1986, and there was extensive exchange of these products in the 11 capital-good distribution centers at prefectural and municipal levels and above, the volume of which transactions totalled 261.48 million yuan, a 125 percent increase over 1986.

#### **VI. Foreign Economic Ties, Lateral Cooperation and the Tourism Industry**

Jiangxi's imports and exports greatly increased during 1987, totalling \$484 million, a rise of 37.0 percent over the previous year, of which exports amounted to \$402 million, an increase of \$97 million, or 31.7 percent, and imports totalled \$82 million, a rise of 70.5 percent.

Marked progress was achieved in the use of foreign capital and in imports of technology. 108 agreements were signed to bring in a total of \$3.697 million in foreign capital, of which \$3.093 million was actually spent, and 34 types of technology and equipment amounting to \$3.65 million were imported. By the end of the year, 24 enterprises employing the "three types of foreign capital" had gone into operation throughout the province.

There were new developments in lateral economic ties and technical cooperation in 1987. By the end of the year, a total of 1,441 joint economic entities linking different cities and enterprises and urban areas and the countryside and integrating research and production had been created among different regions and departments, at a variety of levels and in a number of forms. 3,249 contracts providing for interprovincial and intraprovincial technical cooperation were signed during the year. The 1,720 interprovincial projects involved 154 million yuan in actual investment, and the 1,529 intraprovincial projects, 86.77 million. Two-way cooperative exchange of producer goods and materials totalled 1.10 billion yuan, and new technology and skilled personnel were introduced into Jiangxi.

The tourism industry developed rapidly in 1987. During the year, 156.47 million nondomestic tourists—including foreigners from 55 nations and regions; overseas

Chinese; and Hong Kong, Macao and Taiwan compatriots—came to Jiangxi to travel, sightsee or participate in various exchanges. And tourism earned 7.934 million yuan (in Foreign Exchange Certificates), a rise of 13.1 percent over 1986.

#### **VII. Science, Technology, Education and Culture**

Science and technology made new contributions to economic development in 1987. Of 785 S & T products that were appraised during the year, 7 received national awards for S & T advancement, 3 received national invention awards and 123 won provincial S & T advancement honors. Marked progress was achieved in patent registration work: There were 419 applications for patents from home and abroad, of which 114 were approved, thus assuring protection of the lawful rights of inventors and creators. Technical products and applied technology were more broadly disseminated, technical service stations increased in number to 204, and 1,848 contracts worth 27.135 million yuan were signed to provide extension service, of which contracts, 158, worth 4,196,500 yuan, involved transfers of technology, and 277, worth 12,959,200, provided for the development of new technology. 60 Sparks Plan projects were completed, 80,000 agricultural technicians were trained, and many social science research projects linked to economic development were completed, some of the results of which have already been adopted by relevant agencies. Meteorological departments provided prompt and accurate weather forecasts and thereby increased the social and economic benefits stemming from their work.

The ranks of scientists and technicians continued to expand in 1987. During the year, state units had a total employment of 233,000 natural scientists, a rise of 14,000 over 1986, and 186,000 social scientists, an increase of 10,000.

Education flourished amidst reform. Throughout Jiangxi, 242 new graduate students were admitted, 96 graduate students completed their degrees and there was a total graduate enrollment of 565 during the year. Institutions of general higher education admitted 16,238 new students, had a total enrollment of 52,055, an increase of 2,608 over 1986, and graduated 130,000 students, a rise of 18.2 percent.

The secondary education mix was further readjusted and rationalized. During the year, there was a total enrollment of 1,949,800 in all types of secondary schools, a rise of 98,100 over 1986. Of this total, 57,800 students, a rise of 2,751, were enrolled in polytechnic schools, and 108,500, an increase of 3,302, were enrolled in vocational and agricultural schools. These specialized schools therefore accounted for a greater share of total secondary school enrollment.

New advances were registered in the effort to popularize 9 years of compulsory schooling and in preschool education. During the year, junior middle school enrollment

totalled 1,512,230, an increase of 87,500 over 1986, primary school enrollment totalled 5,485,700, and the proportion of school-aged children attending school rose from 97.1 to 97.3 percent. There were also 329,700 pupils enrolled in kindergarten, a rise of 11,400 over the previous year.

Adult education developed rapidly on many levels, in many forms and through a variety of channels. During the year, as many as 28,000 adults were enrolled in institutions of higher education, 12,200 attended secondary technical schools, 82,400 certificates were awarded to adults completing specific curricula, and 3,353 of the recipients of these certificates went on to obtain polytechnic degrees.

Cultural work played an important role in the development of socialist spiritual civilization in 1987. During the year, 16,800 works of literature and art were carried in journals published at the provincial level and above, and of these works 3,056 were published in national magazines and 452 won awards. Throughout the province, there were 5,315 cinemas, 100 performing art troupes, 114 cultural centers, 105 public libraries, 75 museums, 7 radio stations, 17 radio transmitters and relay stations, 9 television stations and 755 television transmitters and relay stations. News publications also registered new advances.

### VIII. Public Health and Athletics

Further advances were achieved in public health work and medical care in 1987. During the year, Jiangxi registered a total of 108,100 medical professionals—an increase of 2.5 percent over figure for the end of 1986 and including 46,100 doctors, a rise of 2.4 percent, and 23,200 nurses, a rise of 5.7 percent—and 39,304 hospital beds. Disease prevention work was strengthened, with the provincial incidence of infectious disease registering a 29.0 percent decline from 1986 and cure rates showing marked improvements.

New achievements were also made in sports. Jiangxi's skillful athletes set an average of one Asian record in every international and domestic competition in which they participated, winning a total of 14 gold medals, 19 silvers and 21 bronzes—4, 3 and 4 of which, respectively, were garnered in international competition. Participatory sports developed extensively, helping to popularize athletics.

### IX. Living Standards and Development of Old Guerilla Base Areas

Incomes continued to rise in both urban and rural areas, but the rate of improvement slowed in 1987. Sample surveys showed that the per capita net income of peasants was 429.29 during the year, a rise of 8.5 percent, or 5.2 percent, when adjusted for inflation, and that the percentage of peasant households having annual per capita incomes of 200 yuan or less declined during the

year. The total wage bill for employees throughout the province amounted to 4.267 billion yuan, an increase of 320 million yuan, or 8.1 percent, which is lower than the rate of 20.1 percent registered in 1986. Sample surveys showed that urban living expenditure income averaged 748.65 yuan per capita during the year, a rise of 9.2 percent, or 1.2 percent, when adjusted for inflation, but that there was disparity in income improvement between the various strata of urban residents and that 22.3 percent of all urban households saw their actual incomes decline as a result of inflation.

Labor reform deepened and employment increased during the year, with 160,900 workers being placed in jobs in cities and towns across the Jiangxi and the provincial work force totalling 3,635,300, an increase of 116,800 over 1986, of which total 246,100, a rise of 75,300, was employed by state units through labor contracts. There were also 131,700 individual workers in urban areas, an increase of 4,800.

Urban and rural savings greatly expanded during 1987, totalling 6.448 billion yuan at the end of the year, a rise of 166 million yuan, or 34.5 percent, over the same period in 1986.

Urban and rural living conditions also improved. From sample surveys, it is estimated that during the year Jiangxi's urban residents had an average of 8.03 square meters of living space per capita, a rise of 4.6 percent, and that peasants had 18.47 square meters, an increase of 5.5 percent.

Social welfare advanced, too. During the year, Jiangxi had 1,964 units that took in and cared for 32,000 people; collectively run centers located in both urban and rural areas provided support for another 116,000 aged, disabled, orphaned or widowed people; and poor families throughout the province received assistance.

Insurance programs developed rapidly in 1987. By the end of the year, more than 85 percent of all enterprises and 55 percent of all residents throughout the province were participating in insurance programs covering property valued at 30.9 billion yuan. Premiums for various types of insurance totalled 150 million yuan, an increase of 49.6 percent over 1986, and benefit payments amounting to 69.32 million yuan were rendered in 140,000 cases. Thus insurance programs played an effective role in restoring production and stabilizing people's lives.

Gratifying success was achieved in the development of old guerilla base areas in 1987. During the year, a total of 300 million yuan of various types of funds was invested in this activity; special assistance was rendered to 20 key counties, 200 particularly impoverished townships and 180 destitute households to help these entities increase

production; 2,000 start-up and 1,000-some infrastructural projects were initiated; and as a result of these efforts, two-thirds of all destitute households in the regions were able to obtain sufficient clothing and food through increased output.

#### X. Population

A sample survey of one percent of Jiangxi's total population showed that in 1987 our province had a birth rate of 20.38 per thousand, a mortality rate of 6.54 per thousand, and a natural growth rate of 13.84 per thousand—up from 11.87 in 1986—and that our population totalled 35,582,600 at the end of the year.

#### Footnotes

1. In 1987, the state ordered that some of the output value [or income] that had been classified in 1986 and before as village or subvillage industrial output be listed as agricultural, commercial or catering service output. Calculated in 1986 terms, Jiangxi's 1987 GIAOV would have been 33.46 billion yuan, and the province's 1987 gross industrial output value [GOV] would have 22.776 billion yuan.

2. The figures for gross output value [GOV] and total income were computed at current year prices, GIAOV was calculated at 1980 prices and growth rates were figured according to comparable prices. GOV refers to the value added through material and nonmaterial production and does not include the value of goods and services consumed at intermediate stages of production.

3. This figure includes the GOV of all agriculture, rural collective and individual industry, the rural construction industry, rural transport and rural commerce.

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#### FINANCE, BANKING

**Bank Aids Underdeveloped Areas**  
OW2105181888 Beijing XINHUA in English  
1410 GMT 21 May 88

[Text] Beijing, May 21 (XINHUA)—The People's Bank of China, China's central bank, has extended 12 billion yuan in preferential loans to underdeveloped areas since 1981, the "FINANCIAL NEWS" reported today.

The money is helping the people, mostly ethnic minorities, to expand their economies and end a reliance on state relief.

About five billion yuan of low-interest loans were issued between 1981 and 1985 to help expand trade and production of goods specially needed by the ethnic groups.

Over the same period, the bank provided 3.6 billion yuan in special loans to central, western China where ethnic minorities are concentrated.

In the past two years, it has extended two billion yuan in loans to aid local economic development.

During China's Seventh Five-Year Plan period (1986-90), the bank has pledged one billion yuan in low-interest loans each year to help farmers and herders in poor areas.

By the end of June 1987, the bank had provided 100 million yuan to 604 industrial projects in 26 of the least developed counties in mountainous areas of Hubei, Henan and Anhui Provinces.

Now 534 projects have been completed, their combined industrial output value is 84 million yuan a year.

#### FOREIGN TRADE, INVESTMENT

##### Foreign Trade Reforms Recommended To Facilitate Accession to GATT

40060248 Beijing GUOJI MAOYI WENTI [INTERNATIONAL TRADE JOURNAL] in Chinese No 1, 30 Jan 88 pp 16-21

[Article by Xue Rongjiu [5641 2837 0036]: "China Must Negotiate For The Best Possible Terms To Join GATT"]

[Text] To better open up the country to the outside world, actively develop its foreign economic relations and trade, and promote the four modernizations, China in 1986 formally applied to the General Agreement on Tariffs and Trade [hereafter abbreviated as GATT] to restore its status as a contracting party. This move has tremendous significance for both the GATT and China and has sparked intense interest around the world.

Whether or not China's application to re-enter the GATT would go smoothly and whether restoration would bring about the anticipated benefits depends mainly on the state of China's foreign economic relations and trade. This article attempts to offer some suggestions on foreign trade reform in the context of problems and issues that will be encountered in the course of status restoration.

##### Problems To Be Encountered in the Course of Status Restoration

The General Agreement is a postwar multilateral agreement to coordinate inter-governmental trade policies and measures. It is founded on the principle that a market economy is the economic mechanism of its member nations. The contracting parties, "recognizing that their respective national field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steady growth of real income and effective demand, developing the best use of the resource of the

world and expanding the production and exchange of goods," sought to contribute to these objectives by entering into "reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce." (Preamble of the GATT agreement)

These objectives and arrangements are embodied in the following five principles:

The first principle is the principle of non-discriminatory treatment. This lies at the heart of the GATT and is embodied in Article I, "General Most-Favored-Nation Treatment." It stipulates that "any advantage, favor, privilege or immunity granted by any contracting party to any product originating in or destined for any other country should be accorded immediately and unconditionally to the like product originating in or destined for the territories of all other contracting parties." This provision applies to an extensive area, including tariffs, fees, and laws, regulations, and formalities relating to imports and exports.

The second principle is the principle of mutual benefit. Mutual benefit is the exchange of mutual concessions in commercial negotiations. It is vital in the GATT negotiations and involves the obligations and benefits of the contracting parties. Within the General Agreement's scope, mutual benefit is essentially reciprocal because of the tangibleness of the exchange of concessions (tariff concessions in exchange for tariff concessions.) But as protectionism shifted from tariff to non-tariff barriers, mutual benefit inevitably has lost some of its reciprocity.

The third principle concerns tariffs, the primary instrument of protectionism. The multilateral trading system put together under the GATT is based on the establishment of a direct link between domestic and foreign prices. GATT demands that the contracting parties regulate trade through prices and not via the battery of tools employed by direct trade restriction. Tariffs should play a key role in the regulation of trade through prices. GATT requires the contracting parties to protect their domestic economy through tariffs only. Under Article XI, Paragraph 1, "no prohibition or restriction other than duties, taxes or other charges, whether made effective through quotas, import or export licenses or other measures, shall be instituted or maintained by any contracting party on the importation of any product of the territory of any other contracting party or on the exportation or sale for export of any product destined for the territory of any other contracting party." Many provisions in GATT are enforceable only with this principle, which is also a yardstick for determining whether most-favored-nation treatment has been carried out. It follows that a comprehensive tariff system is an important condition for joining the General Agreement. Tariffs are a contracting party's trump card as it is used in bargaining in multilateral trade negotiations.

The fourth principle is mediation through consultation and providing data. To improve understanding and facilitate trade negotiations, the GATT requires that contracting parties provide data. Under the GATT's provisions, a contracting party shall report to the relevant GATT body such activities as those of state trading enterprises, subsidies, anti-subsidies, licensing system, and security measures. In addition, it is required to provide the GATT secretariat with copies of pertinent domestic laws, regulations, and decisions. Consultation is the most basic means of coordinating the trade policies and measures of the contracting parties. The principle of mediation by consultation gives the parties a forum for extensive consultation on trade matters.

The fifth principle is the principle of flexible application. To reconcile the contracting parties' interests, mediate and lessen their conflicts, and enable the GATT to discharge its functions effectively, GATT has formulated a number of exceptional provisions to meet the special circumstances of different nations. These exceptional provisions include exceptions to most-favored-nation treatment, to tariff reductions, to quantitative restrictions, and to the GATT, and special exceptions (such as emergency security and exemption from obligations).

Article XXX details the procedures for amending the General Agreement. An amendment to the GATT shall become effective, but only in respect of those contracting parties which accept it, upon acceptance by two-thirds of the contracting parties.

A nation may become a contracting party to GATT with the consent of two-thirds of the contracting parties. The terms of accession will be negotiated and a protocol for accession shall be drawn up.

It is very clear that China's current system of foreign economic relations and trade still falls far short of the basic requirements of the GATT, as shown in the following ways:

First, since 1979 China has been reforming its economic system, ushering in a transition from a centrally planned economy to a planned commodity economy. ("Memorandum on China's Foreign Trade System," Chinese edition, p 5.) Thus, based on national conditions, China will not become a pure market economy.

Second, China has been reforming its inequitable price system and over-centralized price control system since 1979. For a number of reasons, however, prices have not been totally deregulated and mechanisms for determining prices through changes in supply and demand are not yet in place. Prices remain distorted and a direct link between domestic and foreign prices has yet to be established.

Third, in the wake of economic restructuring and foreign trade reforms to separate government from enterprises since 1979, enterprises have become independent economic entities and tariffs have come to play an ever more important role in regulating imports and exports and protecting domestic production. Still, because of planning and other factors, tariffs have yet to develop into the main tool for regulating the export and import mix and trade volume.

Fourth, China as a nation practices foreign exchange control under which the state centrally manages foreign exchange incomes and expenditures.

Fifth, as national economic restructuring gets under way across the board, foreign trade planning too has been adjusted accordingly, notably the replacement of total command planning by a combination of three systems, guidance planning and market regulation as well as command planning, with the last remaining a crucial component.

Sixth, because the development level of China's productive forces is not as high as that in developed nations and because of price distortions resulting from an inequitable price system, China is subsidizing exports at a loss.

It is precisely because of the incongruity between the country's existing foreign economic relations and trade system and GATT's underlying principles that China's protocol for accession will inevitably be circumscribed by two basic demands by contracting parties with a market economy.

First, guiding principles will need to be worked out to ensure consistency between China and the GATT so that the former will be able to apply them and comply with GATT regulations.

Second, contracting parties will need to assume two kinds of obligations: 1) They will need to employ all possible tools allowed by their economic and foreign trade systems to ensure that the benefits that will accrue to them will be equivalent to those that China will derive from the GATT; and 2) They will need to prohibit the use by China of any methods unique to the Chinese economic system to damage and weaken the interests of any contracting party.

These two underlying demands are embodied in the following five issues.

The first issue is the choice of accession format. In accordance with the principle of most-favored-nation treatment, when a nation accedes to the GATT, it is entitled to the benefit of tariff concessions previously negotiated by other contracting parties so that its merchandise can gain access to the parties conveniently and effectively. At the same time, it shall be required to provide equivalent tariff concessions. However, if the contracting parties deem that the tariffs of any party with

a non-market economy constitute an ineffective means of trade regulation and therefore render its tariff concessions totally irrelevant as a form of mutual benefit, an appropriate accession format may be negotiated and agreed upon. Because of this demand, accession by socialist countries in Eastern Europe has taken these forms:

One form is that the acceding country abandoned its planned economy and joined the GATT with tariff concessions, as Yugoslavia did. Yugoslavia claimed that it had abandoned its planned economic system and established a kind of market socialism in which economic units were worker-managed, tariffs were the only means of trade regulation, and prices were freely floated. There was a unified exchange rate and no export subsidies. Only after the GATT conducted an investigation did the contracting parties agree to let Yugoslavia join with tariff concessions.

Another form is that the acceding country adhered to its planned economy and joined the GATT by assuming import obligations as both Poland and Rumania did. When Poland joined the GATT in 1966, the agreements stated that Poland will "undertake to increase the total value of its imports from the contracting parties by not less than 7 percent per annum". (Annex B, Protocol for the Accession of Poland.) When Rumania acceded to the General Agreement in 1971, it undertook to "increase its imports from the contracting parties as a whole at a rate not smaller than the growth of total Romanian imports provided for in its 5-Year Plans." (Annex B, Protocol for the Accession of Rumania.) Comparatively speaking, Rumania's accession agreement is more flexible as far as import obligations are concerned.

Another form is that the acceding country adhered to its planned economy, tried hard to reform its economic and trade system, and joined the GATT with tariff concessions, as Hungary did. Since the mid-1960's, Hungary has been working on reforms to strengthen the role of the market in its domestic economy and to restructure its foreign trade system to bring it in line with the GATT's basic requirements. After a full review, the contracting parties agreed that Hungary should accede to the GATT with tariff concessions. Such concessions are Hungary's only obligation. Instead of requiring Hungary to increase its imports from other contracting parties by a set percentage, the accession protocol only expresses its "intent" to do so.

China has proposed to resume its status as a contracting party to GATT with tariff concessions. Whether or not other parties would agree will depend on China's negotiating skills and the state of its foreign trade reform. Certainly the accession process would be more complicated than what Hungary went through.

A second issue is the need for selective security measures and discriminatory quantitative restrictions. What concerns contracting parties most is the possibility that

countries with a non-market economy (such as China) might disrupt their domestic markets with low-priced products through the special workings of the economic and trade systems. To avoid such disruption, some contracting parties demand that they reserve two rights, one, the right to impose discriminatory quantitative restrictions, and two, the right to take selective security measures. Both requirements were included in the Polish and Hungarian accession protocols, to the detriment of the effort by those countries to obtain unconditional most-favored-nation treatment. Similarly, this issue will prove to be a sticky point in China's protocol for accession.

A third issue is over unfair trade practices. According to the GATT principles, unfair competition between market economies is deemed to have taken place under the following circumstances: 1) a company charges different prices in different markets, as when the export prices are lower than the domestic prices (i.e., dumping), and 2) a government assumes some of the costs of an export enterprise (i.e., subsidization). When a domestic industry is seriously injured by unfair competition posed by a like imported product, a contracting party has the right to levy an anti-subsidy tax or countervailing duty to offset the injury. However, contracting parties with a market economy contend that since it is difficult to ascertain the true cost of the exports of a non-market economy, they cannot determine their value. To get around this problem, GATT permits the use of a "proxy" approach under which the price of the like product of a third nation can be used as a basis for comparison. Still, neither market economies nor their non-market counterparts find this method adequate and so far no satisfactory solution to this problem has been found.

A fourth issue is openness (the problem of insufficient data). Many contracting parties argue that given the lack of data on non-market economies, the latter's promise to abide by the GATT is totally meaningless. The reasons are as follows: 1) Compliance is impossible to verify 2) Even if they comply with GATT, non-market economies can still erect trade barriers in ways unique to their economic system and not specifically regulated by the GATT. Accordingly, contracting parties with a market economy demand that their non-market economy counterparts undertake concrete, verifiable obligations, while the former reserves the right to take steps to avoid any unfavorable effects on trade that may be caused by non-market economies.

A fifth issue is annual inspection and review. Given insufficient data, mutual trust and understanding is lacking between contracting parties with a market economy and non-market economy. To smooth out their trading relationship, the GATT writes into the protocol for accession of each non-market economy a provision requiring regular inspection and evaluation of the implementation of the agreement. Such inspections and reviews cover: 1) the general trend and geographical

distribution of the imports and exports of the contracting party concerned; 2) changes in the import and export mix; 3) measures taken by the contracting party to remove discriminatory quantitative restrictions; 4) measures by the contracting party to fulfill its import obligations; 5) trade balances with other contracting parties and other nations and balance of payments with other contracting parties.

These are the contracting parties' major concerns when a non-market economy applies to join the GATT. They also are the primary obstacles to the realization by a contracting party with a non-market economy of its expected benefits.

In applying to restore its contracting-party status, China should take into full consideration its impact upon doing so. Moreover, it should adjust its foreign economic and trade system accordingly in light of these factors in order to obtain favorable restoration terms, reduce or eliminate discriminatory treatment directed at it, and enhance the benefits expected to accrue to China after restoration.

#### **With the GATT in Mind, China Needs To Further Reform Foreign Trade System**

First of all, we should clarify the goals and objectives of foreign trade reform required by the General Agreement's basic premises. In my opinion, we need to be clear about a number of points. 1) To comply with the underlying demands of GATT is but one of the goals of foreign trade reform; it is not the sole objective. 2) While adhering to the planned commodity economy, China should adjust and reform its foreign economic and trade system in accordance with the GATT's requirements to the fullest extent possible. 3) As far as the restoration of its contracting-party status is concerned, China may consider making the following the basic goal of its foreign trade reforms: while adhering to a planned commodity economy, it should pursue a relatively liberal foreign trade policy and reform the foreign trade system in accordance with the GATT's basic principles in order to secure rights equivalent to those of a contracting party with a market economy, especially those of a developing market economy. 4) China should strive to obtain the preferential treatment the GATT offers to developing countries. As a developing socialist country, China is entitled to the preferential treatment provided for developing countries by Articles XXXVI, XXXVII, and XXXVIII of the General Agreement and related agreements, namely the six accords concluded in the Tokyo Round: "Agreement on Implementation Of Article VII of the General Agreement on Tariffs and Trade," "Agreement on Import Licensing Procedures," "Agreement on Technical Barriers to Trade," "Agreement Concerning the Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement," "Agreement on Implementation of Article VI of the General Agreement on Tariffs and Trade," and "Agreement on Government Procurement." Take export

subsidies, for instance. The relevant Tokyo Round agreement stipulates that "developing countries may subsidize their industrial exports, but this kind of subsidy should not cause serious injury to the production and trade of other contracting parties." Moreover, "developing countries should make an effort to undertake to eliminate and reduce export subsidies not required by their development needs."

It should be noted that many contracting parties consider it dangerous to ascribe to China the status of an "undeveloped" nation, what with its growth potential and planned economy. Thus the possibility of China being accorded the full-fledged treatment of an "undeveloped" nation is slim. A more realistic approach is to reform the nation's foreign trade system in a pragmatic way in accordance with the GATT's basic principles and create conditions favorable to the restoration of its contracting-party status.

Second, with GATT's basic principles in mind, we should reform in a thorough manner to overcome the hurdles to status restoration. First, we should broaden the role of tariffs in importing and exporting and pave the way for tariff concessions. If tariffs are to be an important tool of macroeconomic regulation in China, the key is to further reform the foreign trade system and price system, separate government from enterprises in earnest, remove local from central finances, and give foreign trade enterprises decision-making power in their operations. Second, thoroughly reform the existing tax system, implement and perfect a value-added tax [VAT] system, and fully exempt exports from taxes. China's current tax code imposes a VAT on only 14 categories of exports and a product tax on the rest. Exports in the VAT area are exempt from VAT while exports in the area of product tax are exempt from product tax only on the last link in the production process. As a result, Chinese exports cannot take part in international market competition on their real costs and their competitiveness is weakened. Moreover, we are deprived of a genuine accounting basis for exporting. A drawback system for VAT can encourage exports and restrict imports without violating GATT regulations. Third, we should adjust exchange rates and turn them into a key economic lever for foreign trade regulation. However, exchange rates work only in the case of economic enterprises that have operational decision-making power and are responsible for their own profits and losses. Exchange rate adjustments will not send out any signals of practical significance to foreign trade departments still dependent on the state to underwrite their losses. Thus the existing foreign trade system must be reformed thoroughly. Fourth, we should reform export subsidies. China's export subsidies are of prime concern to the contracting parties of the GATT. First of all, China can join the "Agreement on the Interpretation and Application of Articles VI, XVI, and XXIII of the General Agreement" concluded in the Tokyo Round so as to legitimize its subsidies required by economic development needs. Also, in order that the foreign trade system be thoroughly reformed, we should

overhaul the current practice in which the central treasury directly subsidizes exports. Then again, in the course of restoring its contracting-party status, China should commit itself to the gradual phase-out of export subsidies. Fifth, it should establish a statistics and information system for foreign trade that is centralized and authoritative. At present China has two sets of foreign trade statistics, namely customs statistics and foreign trade business statistics. Since the two sets of numbers exist independently of each other, we cannot provide timely, accurate, systematic, and authoritative data. This not only affects macro and micro foreign trade management but also prevents foreigners from understanding China, thus complicating the restoration process. Accordingly, we should promptly create an authoritative, unified foreign trade statistical system suited to the policy of opening to the outside world. Sixth, we should establish a flexible foreign trade management system and step up research on and application of non-tariff barriers. In the wake of China's transition to a planned commodity economy, price deregulation, and economic trade reforms, tariffs will necessarily come to play a much larger role. However, we should also see that after China accedes to the General Agreement with tariff concessions, tariffs will become a lesser factor in limiting imports and protecting the domestic market. Right now, to offset the effects of tariff reductions on import restriction, country after country has erected a multitude of non-tariff barriers to protect their domestic market. Such non-tariff barriers are known by numerous names and now number over 1,000. China too should fully study and deploy them to enhance its competitiveness and bargaining position.

Furthermore, we should coordinate our moves with those of other countries and cooperate closely with them to work out a number of legal issues relating to status restoration, which is also an important aspect of foreign trade reform in China. The legal issues are: 1) mutual non-application of the GATT. The restoration of China's contracting-party status will not effectively prevent other contracting parties from invoking the non-application provision in Article XXXV. Under that article, the General Agreement "shall not apply as between any contracting party and any other contracting party if: a) the two contracting parties have not entered into tariff negotiations with each other, and b) either of the contracting parties, at the time either becomes a contracting party, does not consent to such application." During negotiations on restoration terms, China should get the contracting parties to agree not to invoke this provision. 2) mutual retrospective non-application. China should negotiate with the contracting parties to cancel their rights and obligations toward one another during the period when its relationship with the GATT was suspended. 3) safeguard provisions. As noted above, safeguard provisions may be the thorniest issue in negotiations to restore China's contracting-party status and are of utmost concern to developed countries in the GATT. The safeguard arrangement in Article XIX is extremely vague. Besides, actual practices fall far short of what it

requires. Citing the vagueness of Article XIX and the non-market nature of China's economy, contracting parties have demanded that it accept selective safeguard provisions. China should first insist that it accept only the safeguard measures in Article XIX. If it has no alternative but to accept Article XIX, it should negotiate with other contracting parties and work out a list of clear conditions for the implementation of selective safeguard provisions, such as implementation duration, responsibility for verification, the definition of key terms, differential treatment of products within the plan and outside, etc. 4) Problems relating to Section 401 of the Trade Act of 1974 of the U.S., which stipulates that the granting of most-favored-nation treatment to a community country must be contingent on the results of an annual review of its emigration policy. While this section was originally enacted with the Soviet Union in mind, it has practically been applied to all socialist countries. The new American president to be elected in 1988 may change the discriminatory application of this law to China. Right now, China should do everything it can to urge the U.S. Congress to act after the completion of negotiations on the draft accession protocol to make the act inapplicable to China. 5) Bilateral trade issues. In general, when a nation joins this multilateral trade agreement, all bilateral trade accords it has signed with other countries will become null and void, any bilateral preferences in such agreements to be applied to all contracting parties. China should now study each and every bilateral trade accord it has signed and do its best to adhere to the GATT in case of a conflict between the General Agreement and a bilateral agreement. Like Hungary, China should write into its protocol for accession a provision that would allow it to keep its bilateral trade and payments agreements with Eastern European nations.

12581

**Second Euroyen Bond Issued**  
*OW1505123988 Beijing XINHUA in English*  
*0614 GMT 14 May 88*

[Text] London, May 13 (XINHUA) — China has issued its second Euroyen bond under a formal agreement signed in London on Thursday.

The bond was issued by Guangdong International Trust and Investment Corporation (GITIC), one of the leading provincial conduits in China for absorbing foreign capital.

The bond has a value of 20 billion Japanese yen (160 million U.S. dollars) with an interest rate of 5.125 percent and a five-year term.

The notes were issued at prices of 101.875 percent.

The leading underwriter offering the notes is Japan's long-term credit bank international limited and 27 others are international banks from Japan, France and West Germany.

The issue marked the first time GITIC has entered the European capital market.

Gitic sources said that the proceeds from the issue of the notes would be used for two projects in Guangdong Province, south China.

Before Thursday's bond, China International Trust and Investment Corporation (CITIC) issued China's first Euroyen bond in London in January, with a value of 15 billion yens (120 million dollars).

The Bank of China issued 200 million dollars worth of floating rate notes in London last October.

Since its setup in May 1980, GITIC has launched three bonds issues in Tokyo, Hong Kong and London respectively. The first valued 20 billion yens (160 million dollars) and the second to the tune of 50 million U.S. dollars.

Huang Yantian, GITIC's executive director and vice president, told XINHUA that GITIC's functions are to raise funds in domestic and overseas markets so as to invest in projects conducive to the economic development of Guangdong Province.

**Increase in Labor Exports to Hong Kong, Macao**  
*40060223b Beijing GUOJI SHANGBAO in Chinese*  
*3 Mar 88 p 1*

[Text] Since entering the Hong Kong and Macao markets for contract construction labor, China has achieved gratifying success through painstaking effort. As of the end of 1987, China had signed 776 agreements worth HK \$8.8 billion to provide construction labor in these ports and in 1987 alone contracted to provide the ports with HK \$2.56 billion worth of labor, 3.4 times more than the annual average for the previous 7 years and equal to 21.8 percent of the total volume of construction labor China contracted to provide throughout the world in 1987. Thus we now provide more labor to these two ports than we do to any of the other countries and regions we serve.

The economies of Hong Kong and Macao have grown in recent years, and especially importantly, investor confidence in these two ports improved after the signing of the Sino-British and Sino-Portuguese joint declarations. Thus the ports' construction labor market continued to grow even though such markets experienced slumps elsewhere in the world. Statistics show that Hong Kong and Macao undertake an average total of about HK \$26.0 billion of construction a year, and more than 100 Japanese, South Korean, West German, American, British and French companies have flooded to the ports, so competition for this market is very intense. Relevant departments believe that if China is to survive and grow in these markets, she must compete with Japanese and South Korean firms and undertake more large and medium projects. To this end, our firms must establish

wide-ranging, friendly and cooperative relationships with the authorities of Hong Kong and Macao and with counterpart firms, banks, lawyers and other quarters in these ports, so as to win financial, legal, informational, and other kinds of support from these quarters. Meanwhile, our firms must also work together with local Chinese-owned companies to win contracts for large and medium projects in the ports.

12431

### **Beijing Makes Seven Proposals for Foreign Trade Restructuring**

40060223a Beijing BEIJING RIBAO in Chinese 17 Mar 88 p 1

[Text] In his work report to the Standing Committee of the Beijing People's Congress, Huang Chengxiang [7806 2110 4382], vice chairman of the Beijing Foreign Economic Relations and Trade Commission, enumerated the progress the municipality has made in its foreign trade and export work, stressed the noteworthy problems that persist in this work, and reported the seven proposals drawn up by the Beijing government to restructure its foreign trade administration.

Huang stated that, since the policy of opening up to the outside world was implemented 9 years ago, Beijing has made outstanding progress in its foreign trade and export work. During this period, he reported, exports rose rapidly, totalling \$5.7 billion, 3 times the \$1.4 billion that was exported during the previous 9-year period, and grew especially rapidly in 1987, reaching \$880 million in that year, 2.2 times the level of 1978. The municipality's export mix changed considerably, too, Huang said. Machinery, electrical goods and textiles (including apparel) grew especially fast, 300-some new and distinguished export products have emerged, and the number of "hot cakes" with sales of over \$10 million has increased from 8 in 1978 to 19, which number includes apparel, which has broken the \$100 million mark in sales 4 years in succession. More and more products are entering into international markets, and more than 1,500 enterprises now produce for export, including 500-some town and township firms. Goods are now sold to 130-plus nations and regions, and our export market is gradually expanding beyond Hong Kong and Macao to nations overseas.

The main reasons for these successes, said Huang, are that we have firmly implemented the policy of opening up to the outside world and that the state and the government of Beijing have formulated a number of policies that have helped motivate producer enterprises to expand exports. Naturally, said Huang, we must recognize that Beijing's good export performance was also related to the excellent international environment that we have enjoyed during the last 5 years, when world

markets were healthy and the U.S. dollar depreciated, and that the rapid rise of the Japanese yen over the past 1-2 years was especially beneficial to our effort to expand exports.

Huang made special note of the fact that there have also been many problems in Beijing's foreign trade and export work over the past few years. The first of these is that our exports have grown sluggishly. Although things have picked up a bit during the last 2 years, Beijing's share of the nation's total export volume is declining. Our foreign-exchange earnings on exports has steadily fallen, to only 71 percent in 1987. And exports comprise a small fraction of Beijing's gross industrial and agricultural output value, accounting for only about 5.5 percent thereof even during 1987, when our exports were at their highest level, which percentage is not only lower than those of such fraternal provinces and municipalities as Guangdong, Shanghai and Tianjin, but also falls short of our own record. This means that during the last several years our exports have grown more slowly than our industry and agriculture. Second, Beijing's export mix is irrational, and the quality, variety, design and color of our products do not meet international requirements, which shortcomings adversely affect the sales and prices of our exports. Third, our marketing skills are weak. Though we have made some improvements in this area, generally speaking we have yet to create strong sales networks, we have few big-volume customers and many little ones, and we still have not advanced beyond being "peddlers" and "hawkers."

These shortcomings, said Huang, are basically due to the problems plaguing the foreign trade administrative system itself, namely "eating out of the same big pot" and excessive centralization of power. Reform, therefore, is urgently needed. In line with the economic development strategy for coastal regions outlined by the central authorities, the Beijing CPC committee has concluded that we must seize this propitious moment, fully exploit existing favorable conditions and, with leadership, with planning and in a step by step fashion, vigorously develop an externally oriented economy and make reform of Beijing's trade administration a major focus of this year's work. The municipal government has drawn up the following seven proposals for such reform this year.

**Strengthening leadership.** The Beijing government has established a leading group for external economic relations and foreign trade led by Deputy Mayor Zhang Jianmin [1428 0256 3046].

**Implementing a double-track system of export contracts for foreign trade enterprises and firms producing for export.** Trade targets will be allocated and contracted out to relevant foreign trade enterprises, and export sourcing targets will be contracted over to industrial and agricultural entities.

Improving and better implementing policies designed to encourage exports. The measures adopted in 1987 will be retained, and no new policies are planned.

Further relaxation of control over enterprise operations, and greater mobilization of enterprise initiative. A number of large, qualified export-producing enterprises or enterprise groups will be granted authority to engage in import and export operations on their own, so long as they fulfill targets in the state export plan, honor export contracts and bear all responsibility for profits and losses.

Accelerating implementation of a foreign-trade and export agency system. The municipality will employ a variety of approaches, all voluntary, to strengthen integration of industry and trade and to develop joint industry-trade operations.

Encouraging foreign trade and producer enterprises to initiate processing of imported and customer-supplied materials and components. Authority to approve processing of imported materials and components will be delegated to districts, counties, bureaus and parent companies, and producer enterprises will be permitted to enter into direct negotiations and operations with foreign firms and to choose foreign trade enterprises to represent and sign agreements on their behalf so long as the operations involved do not include things handled in a unified fashion by the state or production of goods on which there are quota or other restrictions.

Beijing will open a foreign-exchange readjustment center, liberalize restrictions on foreign-exchange readjustment markets and permit compensation for such activities.

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**Shanghai Claims Incentives Spur Exports**  
40060223c Shanghai JIEFANG RIBAO in Chinese  
17 Mar 88 p 1

[By Correspondent Wang Chengfeng [3769 2110 0023] and Reporter Zhang Zhiyuan [1728 1807 6678]; "Export Enthusiasm Grows in the Shanghai Machinery and Electronic System: Open Competition Has Been Initiated To Determine Who Will Be the Industry's Export Stars; 161 Enterprises Have Marketed Their Products Abroad, and Foreign Exchange Earnings have Exceeded \$100 Million"]

[Text] To expand exports, the Shanghai Bureau of Machine and Electrical Industry decided to initiate open competition and to allow any firm in its system, no matter whether a large one employing 10,000 people or a small one having a mere 100 workers, to become an electromechanical export base and to enjoy expanded freedom to engage in foreign trade so long as that firm possesses the proper qualifications. Thus a number of "export enthusiasts" have emerged among the 100-odd

enterprises in Shanghai's machine and electrical industry. To date, 28 firms have been become export bases or have been granted expanded autonomy to conduct foreign trade, a rise of 2.4-fold over the number of such entities approved during the same period last year, and these 28 firms account for approximately 70 percent of the bureau's total exports.

To encourage exports, the bureau stipulated that any enterprise within its system that earns \$3 million or more in exports a year or for whom exports account for 50 percent or more of total output value may apply to be designated electromechanical export bases, and any firm in the system that earns \$1 million or more in exports a year or for whom exports account for 10 percent or more of total output may apply to receive expanded autonomy in foreign trade. These changes mark a shift away from the previous practice of administrative nomination and toward a more competitive system for such statuses.

Unprecedented "enthusiasm for exporting" arose throughout Shanghai's machine and electrical industry once this new system was initiated. The industry's foreign exchange costs used to be high, so many firms believed that "exports were not as profitable as domestic sales" and thus eschewed export production. Now, however, these enterprises are trying everything possible to find new channels for export. For example, Shanghai Electromagnetic Wire Plant No 1 had no exports 2 years ago but, after setting up arrangements with five import-export companies to market its products abroad, managed to earn more than \$2 million in exports last year. So far, 161 enterprises, or more than two-thirds of the number of state firms in Shanghai's machine and electrical industry, are now producing exports. The industry's exports have grown by more than 50 percent in each of the last 2 years and last year topped \$100 million, ranking first in all of China's machine industry.

To meet the requirements to become export bases or to obtain expanded foreign trade autonomy as soon as possible, many medium and small electromechanical enterprises in Shanghai have joined together on their own initiative, have had enterprise conglomerates arrange exports for them, and have thereby joined the competition. Electromechanical, electric wire and cable, electric equipment, printing-packing machine and other enterprise groups have worked closely together with other related firms to rationally adjust production capacity for domestic and external markets and have given priority to assuring supplies of export commodities. The 28 enterprises that have thus far been designated export bases or been granted expanded foreign-trade autonomy now earn a total of \$67 million in foreign exchange and have therefore become the mainstay of Shanghai's machine and electrical industry.

When open competition was initiated, the 8 original export-base and expanded-autonomy firms made aggressive use of their advantages and began directly participating and competing in international markets. The

great majority of these firms have already established export agency systems and are able to negotiate directly with foreign businessmen and to quote prices and sign contracts on their own. And to compete on international markets, these firms have gradually established production systems rooted largely in export sales. For example, the Shanghai Miniature Bearing Plant can provide price quotes within 2 days, complete new product designs for foreign customers within 2 weeks, and produce prototypes within 2 months. Competitiveness, therefore, has given this enterprise a good reputation on international markets, and the firm now accounts for approximately 90 percent of China's total exports of miniature bearings. Recently, the Shanghai Bureau of Machine and Electrical Industry has been busily laying the groundwork to enable export-base enterprises to develop further and obtain legal authority to handle exports themselves. For example, the Shanghai Machine Tool Co has received approval from the Ministry of Foreign Economic Relations and Trade to become one of the first units in Shanghai to manage its own imports, exports and external economic ties independently. A number of other units are now applying for this status.

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## TRANSPORTATION

**Reform, Development of Shipbuilding Industry**  
40060222 Shanghai ZAOCHUAN JISHU [MARINE TECHNOLOGY] in Chinese No 2, 16 Feb 88 pp 1-3

[Speech by Hu Chuanzhi [5170 0278 3112] to the 1987 International Marine Technology Symposium and Exhibition: "Persistent Reform, Opening Up and Development of China's Shipbuilding Industry"]

[Excerpts] The China State Shipbuilding Industry Corporation [CSSC], the backbone of our nation's shipbuilding industry, is a national corporation that is directly subordinate to the State Council and that integrates industry and trade, administers 166 subsidiary enterprises and institutions and employs 300,000 people, including 60,000 technical specialists. Among the corporation's 26 shipbuilding affiliates are the famous Jiangnan, Dalian, Hudong, Shanghai, Guangzhou, Zhonghua, Qixin Xingang shipyards. The corporation has 67 subsidiaries that specialize in the manufacture of diesel engines, navigational instruments and other parts and accessories; 84 construction berths, of which 14 can handle ships of 10,000-dwt class and above, the largest being 150,000 tons; and 28 repair docks, of which 15 are 10,000-dwt class and above and can handle ships up to 100,000 tons. The corporation has an annual shipbuilding capacity of 1.2 million tons and a diesel engine manufacturing capacity of 2.50 million horsepower.

CSSC has a strong technical design capability and 37 design institutes, including one of the most famous ship design agencies in Asia, the China Ship Research Center, which is located in Wuxi in southern Jiangsu. These

institutes boast a full range of specialties, from basic performance testing to general design and from production technology to special materials and equipment, possess advanced testing capabilities and have designed transport ships, production rigs, offshore oil platforms and more than 700 other types of vessels.

In regions where CSSC has a large number of affiliates, it has established special local subsidiaries, such as the Shanghai, Guangzhou, Dalian, Tianjin, Wuhan, Jiujiang and Chongqing shipbuilding industry companies; the Kunming and Xian ship equipment industry companies; and the China Shipbuilding Trading Co in Beijing, which firm handles ship exports and trade of shipbuilding materials, equipment, machines and electronics. Also under CSSC are the China Offshore Platform Engineering Co, the Shenzhen Shipbuilding Trading Co, the China Hydrofoil Technology Development Co, the China Ship and Power Plant Co and other specialist firms. In addition, there is the China United Shipbuilding Co, Ltd of Hong Kong, which firm serves as CSSC's general agent in that port and in Southeast Asia, and the Ship Division of the China Trade Center of Western Europe, a branch of CSSC in Hamburg, West Germany. We are also preparing to establish a branch in Los Angeles of the U.S.

Thus China now possesses a fairly complete shipbuilding industry which has CSSC as its core and includes transport, machine and other sectors; provincial and municipal enterprises; and research, design, production and part supply divisions. The nation's strategy for economic development calls for further advances in this industry.

As a global commodity, modern ships must be sold on world markets and conform to international specifications and standards. Over the past several years, China has familiarized herself with and strictly conformed to standards employed by world-famous ship registry societies and by leading shipbuilding nations, which efforts have enabled us to make the first steps toward exporting ships. As for equipment that we cannot currently produce up to world standards, we will adopt the approach of "using imports to nurture exports" and use licensed trade, coproduction, compensation trade, joint design, technical consulting and other forms of cooperation to import requisite advanced technology. Over the past several years, CSSC has signed 350 such agreements, including 43 transfers of technology to produce internationally famous brands of ship equipment, with Switzerland, Denmark, West Germany, Japan, the U.S., France, the UK, Norway, Austria and 4 other nations. This transfer and assimilation of technology has enhanced the competitiveness of China's shipbuilding industry and improved the industry's technology capability, namely, from a level equivalent to the late 1960s and early 1970s to one in line with the 1980s. CSSC would like to make a contribution to the world's shipping industry.

China's shipbuilding industry has made rapid progress in science and technology. To design and build large, modern ships, the industry has to have the requisite

material productive conditions and a strong technical foundation. CSSC leaders and cadres at all levels have strived to achieve advanced technology and excellent quality, and the corporation has initiated various degrees of equipment upgrading and technological transformation in its subsidiaries; extensively applied advanced technology; strengthened procedures for testing quality; conscientiously summarized its own experience; adopted such approaches as sending people abroad, inviting experts to China, cooperating in design work and uniting with friendly companies; engaged in technical cooperation with world leaders in shipbuilding;

and strived to improve its technology and management. And to keep abreast of advances in world technology, CSSC is making a conscious effort to undertake construction of high-tech ships such as final-product tankers; shuttle tankers; roll-on, roll-off automobile transports; cold-storage ships; refrigerated container transports; and the like. These projects have helped us steel our ranks, accumulate experience and improve our technology. Facts show that this approach is clearly effective.

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### Hong Kong Paper Reports CPPCC Suppression of Wu Zuguang's Statement

**Contents 'Sharply' Critical of CPC**  
40050210a Hong Kong MING PAO in Chinese  
11 Apr 88 p 5

[by Lin Cufen [2651 5488 5358]: "Wu Zuguang Sharply Criticizes CPC; Calls for Trust in the Intellectuals; His Statement is Denied Approval and Publication"]

[Text] Beijing—The written statement submitted to the People's Political Consultative Conference by Wu Zuguang [0702 4371 0342], who was urged to withdraw from the CPC in the course of last summer's "Anti-Bourgeois Liberalization" drive, was not published as of yesterday when the conference ended.

In his statement, which had "Trust the Intellectuals" as its topic, Wu Zuguang sharply criticized the CPC, asserting that its mistrust of the intellectuals is an indication of the party's mental ossification and senility.

In his statement, he referred to the fact that he was urged to withdraw from the party. "I believe this action was the work of a very small group of people who illegally usurped the authority of the Central Discipline Inspection Commission; it was not an action by the party organization. Close investigations should be conducted into the responsibility for the serious damage that these people inflicted on the party." The statement also said: "Man growing feeble with age is an inescapable natural law, but is it also true that a party must grow old and feeble? In view of today's reprehensible workstyle of the party, the decadence and degeneration of some party members, and the fast decline in social morality, and comparing this state of affairs with the vitality of the early years after liberation, are these not indeed indications of senility?"

He pointed out that the historical facts of China's history prove that the intellectuals have always been the main force in the nation's development. Becoming more intellectual is the direction in which the entire people move, and there should not be the slightest discrimination against the intellectuals. But right from the start, the CPC has been extremely distrustful of any close cooperation with the intellectuals, even going so far as to take a hostile attitude toward them, to maltreat them, and to suppress them. It seems as if they were in fear of the intellectuals, particularly apprehensive of those engaged in literature and art. This is why the party interfered with particular severity in literary and art creations. How often has the painful vicious circle been repeated in the last decades that literature and art passed from times of prosperity to times of desolation. But actually "there is no basis and also no necessity for these fears."

Seeking reasons for these fears, they originate from a small group of leftist extremists in positions of power who misuse their power in violation of the spirit of the

Third Plenum. But these people have never in the past been criticized or disciplined. Fortunately, following the 13th CPC National Congress at the end of last year, "because of a somewhat more democratic form of elections, there have been some adjustments in the personnel, so that we have today a more stable situation."

He also said, that it is most important for China's future to have workers and peasants become more knowledgeable, as the only way to bring about China's modernization. "It takes a hundred years to educate people." For years, countless delegates to the consultative conference have criticized the state leadership for not paying sufficient attention to education. However, though they talked till their tongues and lips were parched, they seem to have made no impression on those in command. There is one and the same reason for this as for the party's decades of discrimination and hostility toward the intellectuals.

"It is here my sincere desire and hope that the party resume the close relations it has had with the intellectuals before liberation and during the early years of the PRC, and that there will be an end to the many years of doubt, suspicion, and even attacks and maltreatment, and for these never to recur again."

In his statement, Wu, moreover, touched on the reasons and the course of events of his being urged last summer to quit the party, and on the effect of this event. "Though the harm done to me personally may not be of any significance, the damage to the CPC, and the consequences suffered by the CPC, are extremely serious and appear irreparable."

**Personal Nature Cited as Reason**  
40050210b Hong Kong MING PAO in Chinese  
11 Apr 88 p 5

[Article by Shi Tian [4258 1131]: "Suppression of Wu Zuguang"]

[Text] Wu Zuguang was unsuccessful in his demand to be allowed to make a statement at the Political Consultative Conference. Up to yesterday's closure of the conference, his written statement has not been circulated. According to principle, if a conference delegate cannot present his statement to the full assembly, his written statement should be circulated among all other delegates. If the authorities in question held up Wu Zuguang's statement and did not make it public, they clearly indicated that in their opinion the statement was problematic.

If the present conference, which strongly emphasized openness and democracy, could not accommodate Wu Zuguang's statement, it shows very clearly that openness and democracy had not yet taken firm roots in the minds of the people in command.

The content of Wu Zuguang's statement, as far as we understand, did not differ much in its salient points from statements by some of the other delegates to the conference. At the CPC's current measure of tolerance, it should not have been necessary to specially suppress Wu Zuguang's statement and not to publish it.

Perhaps the sensitive part of Wu Zuguang's statement was not his general criticism of CPC policies, but his objection to being "urged to withdraw" from the party. He aimed his criticism particularly against the visit of Hu Qiaomu [5170 0829 2606] to his home last year, when Hu urged him to withdraw from the party. Wu Zuguang had called this "urging him to withdraw" from the party an illegal act by a small group of people who usurped the authority of the Central Discipline Inspection Commission.

The way that Wu Zuguang directed his criticism particularly against certain people perhaps made these certain people uneasy, and for this reason they did not find it opportune to circulate his statement. Actually, almost all that Wu Zuguang was talking about was common knowledge. Calmly considered, personal affairs should really not be aired at the full conference. If Wu Zuguang was dissatisfied with the decision of the party, he could appeal through channels within the party, and if he was truly disgusted with the way the party was acting, why not withdraw from the party and let it go at that.

However, what had happened to Wu Zuguang personally is a clear reflection of the CPC's problems, and as the CPC is the ruling party, certain unhealthy tendencies within the party deserve to be the concern of the general public. Although Wu Zuguang's criticism caused certain people great uneasiness, and although it may have been concerned to an excessive extent with internal party affairs, the CPC is after all the ruling party, and the consultative conference had been chosen by highest party authority to be a consultative organization. It follows that the fact that Wu Zuguang's statement cannot be published makes openness and democracy at the conference appear as the shadow of a dream.

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**National Meeting on Post-Doctoral Work**  
*OW2105123288 Beijing XINHUA in English*  
*1105 GMT 21 May 88*

[Text] Beijing, May 21 (XINHUA)—China now has 122 post-doctoral research centers in 81 institutions of higher learning and science which enroll more than 200 Ph.D. graduates.

The figure was released today at a national meeting on post-doctoral work, where it was also learned post-doctoral researchers at these centers are now engaged in research in science, engineering, the medical sciences and agronomy and of the total, 87 earned their Ph.D. Degrees abroad.

China first opened post-doctoral research centers on a trial basis in 1985, in a bid to train more senior researchers.

The meeting revealed, seven post-doctoral researchers have been invited to step into positions as associate professors, associate research fellows or senior engineers after they completed 2 years of post-doctoral research at the centers.

China has a management coordination committee which handles post-doctoral work, and the government has allocated 10 million yuan (\$2.7 million) to build apartments for post-doctoral researchers in Beijing, Shanghai, Tianjin, Nanjing, and Xian, with the apartments in Shanghai and Tianjin already occupied.

China has also established a science foundation for post-doctoral researchers, which has granted 72 researchers funds of 610,000 yuan (\$165,000) and \$122,000.

Zhu Lilan, vice-minister of the State Science and Technology Commission, said, China's post-doctoral research centers have facilitated researchers' independent work and promoted the training and mobility of the country's scientific personnel.

Zhu also said, 90 researchers at the centers have worked on more than 100 scientific research projects including the country's key scientific, hi-tech and national natural science foundation funded projects.

Between 1981 and 1987, China granted more than 1,200 Ph.D. degrees, and at present more than 8,000 individuals are studying for Ph.D. degrees in China.

**Civil Defense Awards for Shaoyang, Huaihua**  
*40050266a Changsha HUNAN RIBAO in Chinese*  
*16 Apr 88 p 1*

[Excerpt] The National Civil Defense Committee recently decided to award 1st and 2d prizes, respectively, for special excellence in engineering design to the underground street project in Shaoyang City and the 807 Underground Guesthouse in Huaihua.

**PLAAF Said To Have 5,300 Fighter Aircraft**  
*40050266b Changsha HUNAN RIBAO in Chinese*  
*10 Apr 88 p 4*

[Text] The PLA Air Force owns approximately 5,300 fighter aircraft, more than any country, including the U.S. and Soviet Union. Territorial air defense units have about 4,000 J-5, J-6, and J-7's (similar to the Soviet MiG-17F, MiG-19, and MiG-21) and the tactical fighter units more than 1,000 J-5, H-5 (Il-28), and Q-5's. There are currently about 120 H-6 medium bombers (similar to the Tu-16), a plane which is nuclear-capable.

**PLA Establishes Post-Doctoral Research Station**  
*40050266c Changsha HUNAN RIBAO in Chinese*  
*7 Apr 88 p 1*

[Text] Dr. Zhao Qinping [6392 3084 1627], director of the Beijing Aviation College Computer Department's Education and Research Office, not long ago joined the National Defense Science and Technology University's Mobile Station for Computer Science and Technical Post-doctoral Research. This station is currently the only post-doctoral mobile research station in the PLA, and includes China's famous computer specialist and Scientific Council member Ci Yungui, Chinese Academy of Sciences software specialist Chen Huowang, and hardware specialists Hu Shouren and Chen Fujie.

**POL Pipeline Network on Vietnam Border**  
*40050266d Beijing JIEFANGJUN BAO in Chinese*  
*23 Apr 88 p 1*

[Excerpts] Kunming, 21 April: A buried POL pipeline several hundred kilometers long has been installed to connect the Yunnan frontline with its rear area. A 3-dimensional transport network has already been established, comprised of "underground POL supply, surface material transport, and airborne evacuation of wounded." Several thousand kilometers of pipeline have been laid, several thousand kilometers of roads have been built, and new air routes have been opened. In 1987 alone, several hundred thousand tons of POL were piped through the system, along with millions of tons of materials transported on the surface.

**Missile Testing in Strategic Rocket Force**  
*40050266e Beijing JIEFANGJUN BAO in Chinese*  
*23 Apr 88 p 1*

[Article by Chen Dechun [7115 1795 2504] and Wang Tie [3769 6993]]

[Excerpts] A Second Artillery [China Strategic Rocket Force] regiment responsible for testing and training with a certain type of missile has traveled 300,000 kilometers over the past 5 years, satisfactorily completing 12 topics including transport, storage, and testing in high temperatures, low temperatures, high wind, and heavy rain. In addition, three missiles were successfully launched. The Ministry of Aerospace commended this regiment on 20 April.

Five years ago, soon after it was established, this regiment was given the task of testing and training with a certain type of missile. During these 5 years, it tested more than 1,000 instruments and conducted almost 1,000 experimental topics, all without mistake.

**Chengdu MR Improves Logistics Support Network**  
*40050266f Beijing JIEFANGJUN BAO in Chinese*  
*17 Apr 88 p 1*

[Excerpts] Chengdu, 16 April: The Chengdu Military Region National Defense Communications Conference which concluded today pointed out that at present, the southwest has already formed the backbones for a comprehensive land-water-air national defense communications support network with Chengdu as its center. It makes use of railways and roads heading north, joins rails and roads heading south, makes the road to Tibet primary, uses airlift for emergencies, and combines rail, water, and roads in the east-west directions. The Chengdu MR and relevant departments of Yunnan Province cooperated to improve three class-3 roads and two class-4 roads, in addition to paving 110 kilometers of road surface. Eighty percent of border defense points on the Tibetan Plateau can be reached by road.

**Second Artillery Improves Procurement Process**  
*40050266g Beijing JIEFANGJUN BAO in Chinese*  
*16 Apr 88 p 1*

[Excerpts] In early March, the Second Artillery Corps [China Strategic Rocket Force] held a conference summarizing its experience in selectively procuring materials. Since the 1960s, missiles and their related equipment have been produced according to nation directives. Following the reforms of the national economic system and the strategic shift in military building, the difficulty of equipment procurement greatly increased. Facing this situation, for some common equipment the Second Artillery increased competitive production measures, procured items more selectively, and expanded its procurement initiative. It has used less money to purchase

more goods and has effectively controlled reckless price increases. Over the past 2 years, it has reduced equipment expenditures by 21.7 million yuan.

**Beta Radiation Detector Developed in Guangzhou MR**

*40050266h Beijing JIEFANGJUN BAO in Chinese*  
*16 Apr 88 p 1*

[Excerpts] Liu Xin [0491 2946], age 22, of the Guangzhou Military Region Chemical Defense Department's chemical defense research institute, has independently developed a meter to test for low levels of beta radiation, filling a gap in China's nuclear detection technology. The device can detect radiation levels near zero and costs only a bit more than 1,000 yuan per unit to produce. Its can be used for nuclear weapon development and protective measures, industrial-use nuclear energy, and detection and warning for inhabited environments, important targets, and personnel safety.

**New Antenna for Strategic Missile Units**

*40050266i Beijing JIEFANGJUN BAO in Chinese*  
*7 Apr 88 p 2*

[Excerpts] After 6 months of use by a Second Artillery Corps [China Strategic Rocket Force] unit deep in a mountainous region, a hydraulic multi-jointed whip antenna extendable from 0.5 to 18.5 meters developed by the China Shipbuilding Industrial Corporation has been certified. This type of antenna only needs to be extended during operation, otherwise it can be quickly retracted into an underground tunnel. It is easily concealed, very resistant to destruction, has a broad useable band width, and broadcasts efficiently. Its technical capabilities meet advanced world standards while production costs are lower than similar items abroad.

**POL Pipeline in Shenyang MR**

*40050266j Beijing JIEFANGJUN BAO in Chinese*  
*6 Apr 88 p 1*

[Text] A certain unit of the Shenyang Military Region has actively assisted in economic development on the Liaodong Peninsula. Since the beginning of the year, it has mobilized over 600 men to repair and set up a 20,000 meter long POL pipeline between Anshan and Panjin.

**Nanjing Defense Industries Enter International Market**

*40050266k Beijing JIEFANGJUN BAO in Chinese*  
*5 Apr 88 p 4*

[Excerpts] Performing well in the international market is the strategic aim of defense industrial enterprises in Nanjing. Exports last year earned more than 90 million yuan of foreign exchange, representing 56 percent of total exports from the city. After suffering in recent years due to sharply lower demands for military goods, the enterprises received new vitality with the current of economic reforms. Clothing exports from the Hongguang No 1 Airborne Equipment Factory earned US\$440,000 last year. The Changjiang Machine Factory last year earned US\$4.08 million to become one of the two leaders in Nanjing.

**New Factory Designator in Guangzhou MR Air Force**

*40050266l Beijing JIEFANGJUN BAO in Chinese*  
*2 Apr 88 p 1*

[Summary] A successful factory run by family members of personnel in a Guangzhou Military Region Air Force mixed brigade was designated "Factory 9560" by the PLA General Logistics Department on 8 February.

## NORTHEAST REGION

**Conference Discusses 'Initial Stage' Theory**  
40050202b Beijing GUANGMING RIBAO in Chinese  
29 Feb 88 p 2

[Report by Pan Chunliang [3382 2504 5328] and Ben Guozhong [2609 0948 1813]]

[Excerpts] Not long ago Heilongjiang Province convened a theoretical discussion meeting on the theory that socialism is in an initial stage in China.

The meeting broke with the usual practice of reading papers at theoretical discussion meetings, instead attention was devoted to swapping pointers and exchanging information on different points of view in a vivid and vigorous way. Focusing on perceptions that "the initial stage theory" is a "theory that stems from discouragement," is "an apologist theory" a "self-comforting theory," a "theory that lowers standards," or a "remedial theory," the delegates expressed the view that these muddled perceptions have been engendered by the ingrained "leftist" ideas that continue to exist in people's minds and by rightist influence. First of all, the thesis that socialism in China is in an initial stage is not the product of subjective will, but is an objective reflection of the fundamental situation that exists in China at the present stage. It has a solid scientific basis. Its theoretical foundation is the standpoint, basic outlook, and basic methods of Marxism on the development of society; its theoretical foundation is the standpoint, the basic point of view, and the methods of Marxism in viewing social development, not words and phrases taken out of context or principles from classical Marxist works; its historical basis is the positive and negative lessons of experience that our Party has gained in building socialism during the past 40 years; and its practical basis is the contrast between the practice of socialism in today's world and traditional socialist theory, and the current objective situation in which China's economic development still lags far behind that of developed capitalist countries. Second, the socialist initial stage theory looks squarely at realities and is a guide for transforming the country's poverty and backwardness into riches and development. To acknowledge that China is still in the initial stage of socialism and to proceed from this reality is the only way in which to be able to formulate lines, plans, and policies that are in keeping with the national circumstances, and to move ahead steadily with socialist modernization. Third, the "initial stage theory" lays a solid theoretical foundation for complete reform and development of a commodity economy and a further breaking of the fetters that have long shackled people's spirits.

The delegates agreed that one important reason for the various muddled perceptions and misinterpretations of the socialist initial stage question is that the modern fantasy theory that has developed over a long period about the socialist development issue continues to fetter

some people's minds. This is characterized primarily in the following ways: "High purity theory," which omits the determining role of productivity; "speedy accomplishment theory" in the development process, which ignores the phased nature and the longterm nature of the development of socialism, "rupture theory" applied to methods to be followed, which adopts an attitude of nihilism and of complete rejection toward capitalism, and "unanimity theory" with regard to the mediation of interests, which denies the objective necessity for a commodity economy in a socialist society, as well as the disparity among peoples interests that are produced as a result. The historical roots in Chinese society that have given rise to modern fantasy theory have been the guiding thought of a hope to achieve quick results, and a hope of making a quick transition to communism. The economic roots have been the old patterns and old concepts of the natural economy that have been difficult to eradicate, and that have produced a proneness to seek "purity" and "smoothness" in the building of socialism. The theoretical roots have been the dogmatic construction that we have long placed on certain theses in Marxist theory, as well as the narrow summarization and mechanical application of successful experiences in the revolutionary war period and during the early period of building socialism. Everyone believes unanimously that the initial stage theory of socialism in China is a powerful ideological weapon for opposing and eradicating modern fantasy theory.

The Heilongjiang Provincial CPC Committee Secretary, Sun Weiben [1327 4850 2609], said in a speech that the initial stage theory of socialism is an outgrowth of the emancipation of thinking and the seeking of truth in facts. Development and perfection of this theory requires perseverance in the emancipation of thinking. He said that since the smashing of the "gang of four," in the process of emancipating thinking, our Party has twice raised the issue of standards for judging right and wrong. The first time was during the 3rd Plenum of the 11th Party Central Committee in which it was reiterated that practice is the sole standard for testing truth. The second time was during the 13th Party Congress which established the socialist productivity standard.

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**Effective Propaganda Said Based on Reality**  
40050202a Shenyang LIAONING RIBAO in Chinese  
28 Jan 88 p 4

[Article by Chen Jian [2525 6169]]

[Text] In real life, sometimes direct propaganda will not produce good results. Some people attribute this to trouble caused by a "psychology of contrariness." Such a simple attribution is usually not convincing. I believe that contrariness is neither pigheadedly deciding that "I just won't do anything you want me to do," nor is it any

kind of ambiguous unreasonable psychology. Rather it is a behavioral reaction to a stimulus from the outside world. A few examples are ventured by way of explanation.

In one instance, people had an adverse reaction to propaganda about prices, the reason being that the propaganda said there would be no price rise when, in fact, the prices of numerous things rose. It was very natural for people to react against this propaganda and not believe it.

One leader who said one thing and did another talked a lot about being opposed to privilege and about party rectification, while his audience knew very well that he had abused his authority for private gain. So they roared with laughter at his sermon, and even hissed and booed.

A dialogue consists of those at a lower level keeping those at a higher level informed, and those at a higher level keeping those at a lower level informed. If there is nothing more than going through the motions without making good on one's words, people will become disgusted.

Obviously contrariness is a behavioral manifestation; it is the result rather than the cause of a stimulus reaction. Only when there is a stimulus will there be an evaluation, feelings toward, and attitudes about the stimulus, and only later a specific reaction. Of course, this "reaction" includes various psychological factors such as individual attitudes, experiences, and value systems.

Conversely, when propaganda sticks to objective reality, people rarely have a "psychology of contrariness." When a signboard is attached to an apple tree reading, "Sprayed with pesticide. Please don't eat the fruit," probably no one who saw the sign would go ahead and eat it just the same. If a sign were posted on a wall in danger of collapsing that read, "Dangerous wall. Pedestrians be careful!", no one would want to tarry there. No one showed a "psychology of contrariness" when Ni Xianc [0242 3759 4595] in Jiangxi Province was recalled, or when Tong Yun [0104 0061] in Shanxi was punished. On the contrary, people lost no time in telling each other, and acted overjoyed. The reason was that strict policing of the party enjoys popular support and falls in with the desires of the people. Clearly the occurrence of a "psychology of contrariness" lies in the special nature of the stimulus itself; not just any stimulus can engender in people a "psychology of contrariness." Like the apples sprayed with pesticide, and the wall in danger of falling down, the stimulus provided by publicizing the punishment of corrupt elements within the Party did not engender in people a "psychology of contrariness."

The foregoing analysis shows that one cannot condemn without reason a "psychology of contrariness" much less can one simplistically attribute negative results from propaganda work to people's psychology without making an analysis of reasons. It is necessary to stress study and improvement of our propaganda and political ideological work to correctly channel contrary behavior.

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**CHUNG-YANG JIH-PAO Editorial Lauds Taiwan's 1989 Budget**  
*40060214 Taipei CHUNG-YANG JIH-PAO in Chinese*  
*5 Mar 88 p 2*

[Editorial: "A Bold, Expansionary Budget"]

[Text] Expenditure in the 1989 budget of the central government, which was drafted by the Executive Yuan and passed the other day by the National Security Council, totaled New Taiwan [NT] \$568.3 billion, an increase of 17.9 percent over last year's budget. Actual revenues cannot keep pace with this large increase, so a shortfall of NT \$138.9 billion, or 24.4 percent of the total budget, is inevitable. To cover this deficit, the government will issue NT \$100 in Development Bonds and defray the remainder from the surplus amassed in previous years.

These data show that the 1989 budget is a typical expansionary budget and that it is a bold, deficit fiscal plan that indicates that the government has made a correct and necessary response to the economic and social conditions pertaining to our current stage of development.

We can analyze these conditions from two angles.

1. Economically, the huge trade surpluses we have run up year after year have given rise to many nettlesome problems, and to resolve these problems the government is actively promoting economic liberalization. In terms of economic theory, the trade surplus indicates that there is a huge domestic "surplus of savings," which means that aggregate savings greatly exceeds aggregate investment. Last year, this excess savings was equal to more than 20 percent of our GNP, a level that is not only unprecedented in the history of our country but is also unparalleled throughout the world. From the standpoint of economic theory, our trade surplus and excessive savings are two sides of the same coin. Therefore, to bring our trade surplus under control, we can and must start by checking our excess savings.

The two major ways of controlling or reducing excessive savings, which as indicated above is the difference between aggregate savings and aggregate investment, are (1) increasing investment and (2) raising consumption (which, in other words, means reducing savings). And stimulating investment and increasing consumption amount to expanding domestic demand. In other words, if we are fundamentally to resolve our knotty trade surplus problem, we must greatly increase domestic demand. And increasing the government's budget—in particular, adopting an expansionary, deficit budget—is precisely the right medicine for this malady.

2. Socially, economic prosperity and the increase in private wealth has raised people's demands with respect to public welfare (for example, in the areas of environmental protection, public order, public health, transportation, and the like). And if the government does not properly respond to these demands by increasing public

welfare expenditure, a variety of social dislocations, such as traffic congestion and conflict over pollution, are bound to occur. We believe that much of the conflict that has arisen in recent years is closely related to this problem and thus that increasing public investment and improving social welfare is a necessary response to the problems of this stage of our development. Yet improving social welfare will require tremendous financial expenditure. This expenditure can be funded in part through tax revenues. But long-term capital construction (such as in mass transit systems) should be funded through channels of capital investment, in other words, through deficit financing. Thus we believe that the government's recent decision to break away from traditional concepts of managing public finance and to resort to a much larger issue of development bonds is a bold stroke.

Will a deficit of NT \$100 billion cause inflationary pressure? Will it increase the financial burden on future generations? We believe that theory shows that we need not be overly concerned about these matters. This column has repeatedly commented on the analytical arguments that have been raised concerning these questions, so we need not go into the issues again here. What merits emphasis, however, is an important statistic, the ratio of public debt to GNP. This ratio averages more than 40 percent globally, the United States and Japan not excepted, and many developing countries show even higher ratios. When public debt is used exclusively to fund social capital investment (which is decidedly not the case in the United States), this statistic can be seen as an indicator of the commitment of the public sector of a nation to that nation's development. Even though our country has carried out many major development projects, we have been very restrained in our use of public debt, probably due to the effects of conservative fiscal theory. Thus our ratio of public debt to GNP has remained only 2-3 percent. And if this ratio rises to 5 percent in the 1989 budget, it will still be much lower than those of most countries and should by no means be distressing.

Worth noting, however, are the directives issued by President Lee Teng-hui to the National Security Council when the latter was deliberating the budget for 1989. Supervising departments should devote particular attention to President Lee's order that "Agency budgets must earnestly be executed according to plan and project schedule. Planned public investment, in particular, must aggressively be carried out so as to avoid having funds left unspent at the end of the fiscal year and to ensure that financial resources are effectively utilized." As we understand it, planning and funding have already been approved and provided, yet projects have been delayed and even shelved for various reasons. We believe it is imperative that all units discuss these problems to identify and clear all bottlenecks. In short, since financial departments have cleared away the problems of financing and submitted a bold, expansionary and deficit budget, other supervising agencies must do their utmost to work with and effect this budget.

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